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One Victory, And a Setback, For Europe's Heavyweights

Seoul Gives Nod to TGV, But Airbus Trails U.S. On Saudi Order for Jets

For Soviet Plotters, a Special Limbo Still No Trial 2 Years Later

By Margaret Shapiro Washington Post Service MOSCOW — One spends most of his time writing poetry and memoirs. Another has joined the ranks of Russia's fledgling businessmen...



Pro-Communist demonstrators shouting for President Boris N. Yeltsin to resign at a rally Friday of the hard-line National Salvation Front near parliament in Moscow.

Muslims Again Balk As Geneva Talks End Serbs and Croats Back Peace Plan With Aug. 30 Deadline for Replies

By Alan Riding New York Times Service GENEVA — Striving to negotiate an end to the war in Bosnia-Herzegovina before winter sets in, international mediators presented a draft peace accord to Bosnian Muslim, Serbian and Croatian leaders on Friday...

republics. The map not only requires Serbs and Croats to give up conquered territories, but it also asks the Muslims to accept the loss of land where they were in a majority before the war began.

The Other Side of the Coin: Speculators Help EC

By Erik Ipsen International Herald Tribune LONDON — European officials who have railed against currency speculators and the damage they have done to the dream of European union, also have reason to thank them.

a fall of roughly 25 percent for the dollar. Some of Europe's weaker currencies, such as the lira and the pound, have meanwhile nearly halved their value against the yen.

U.S. Action on Yen Seen as Support for Tokyo, Too

By Steven Brull International Herald Tribune TOKYO — Japan welcomed on Friday the U.S. action to reverse the yen's rapid climb, but many think relief will be short-lived.

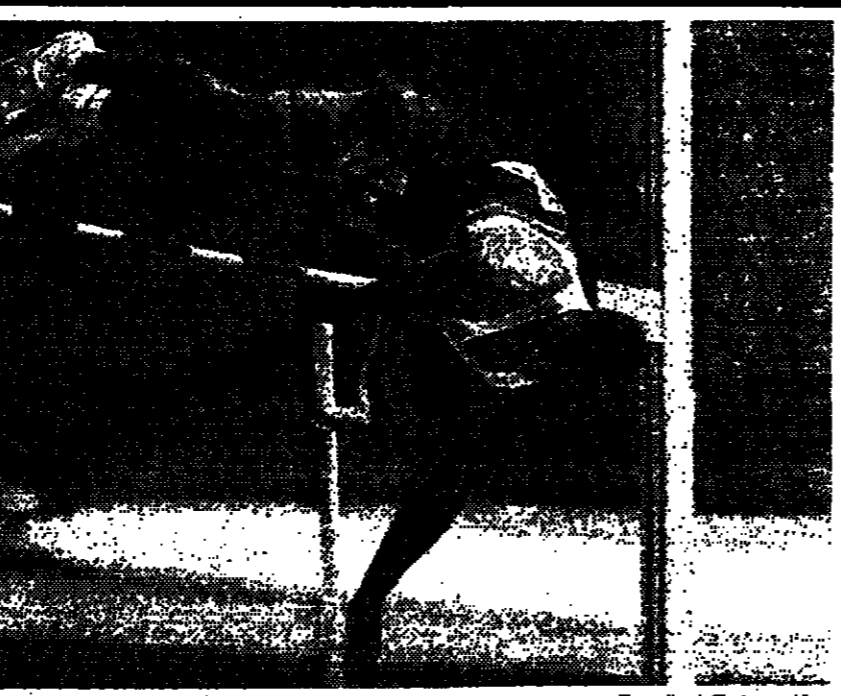
also has used the strong yen as a battering ram to force Japan to adopt more expansionary policies and deregulate its economy.

Kiosk

Market data section including Dow Jones, Nikkei, and various currency exchange rates.

Nigerian Unions Threaten General

LAGOS (Reuters) — Nigerian trade unions, throwing their economic muscle behind a campaign for civilian rule, have told their 3.5 million members to strike if General Ibrahim Babangida breaks a promise to resign by Friday.



UP AND OVER — Dan O'Brien of the U.S. clearing the bar in the pole vault on his way to victory in the decathlon at the World Athletics Championships. Page 17.

Demjanjuk Foes Win Time To Make Case for 2d Trial

By Clyde Haberman New York Times Service JERUSALEM — Israel's chief justice blocked John Demjanjuk's deportation Friday and gave groups pressing for new war-crimes charges here two more weeks to make their case for a second trial of the man who was acquitted on appeal of being the Nazi death-camp guard known as 'Ivan the Terrible.'

able for the court in the state of Israel not to give one more shot," said Efraim Zuroff, Israel director of the Simon Wiesenthal Center.

A 300-Year Drought Doomed World's First Empire

By Boyce Rensberger Washington Post Service WASHINGTON — The long-mysterious collapse in 2200 B.C. of the Akkadian empire, the first imperial regime the world had ever known, appears to have been brought on by the abrupt onset of a severe drought that lasted 300 years.

ing havoc throughout the ancient world around that time, but not in Mesopotamia — we had a gap in the data there — and there was no hard evidence from anywhere," said Harvey Weiss, a Yale University archaeologist who led the American-French expedition that turned up the new findings.

# Secret System Eavesdrops on Undersea Volcano Blast

By William J. Broad

**WASHINGTON** — For the first time, scientists have closely monitored the explosive fury of a deep-sea volcanic eruption, thanks to a supersensitive system of underwater listening devices that the navy has begun to share with civilians.

This technology is opening a whole new window into a dark ocean, said Dr. Stephen R. Hammond, head of the National Oceanic and Atmospheric Administration program that made the observations, at a news conference.

More than 80 percent of the Earth's volcanic eruptions are thought to occur in the oceans. Occasionally, ocean scientists have stumbled on such geological events already under way, for instance while mapping the ocean floor. But never before has a deep outburst been detected, pinpointed and observed so intimately in its early stages, the scientists said.

Such studies, they added, will ultimately help explain how the oceans are warmed by the Earth's fiery interior and to what extent mankind is tipping the planet's environmental heat balance.

The eruption occurred off the coast of Oregon in late June. The quiescent sea floor a mile and a half down came to life in a volcanic fury accompanied by swarms of sea quakes, opening a gash at least 4 miles long. The volcanic crack spewed hot water at one end and molten lava at the other.

The agency's scientists monitored the eruption with the navy's top-secret listening devices and then rushed ships and observation gear to the site, which lies about 270 miles off the Oregon coast. A two-ton undersea robot, linked to the surface by a long tether, was lowered so that it could wander over the field of hot-water plumes and glassy lava, taking movies and samples.

The scientists showed a videotape taken by the robot, which was equipped with powerful lights and television cameras.

The inky darkness was illuminated to reveal great mounds of gnarled lava as well as a "snow" of debris raining down through the water and accumulating in lava cracks and hollows. The scientists believe the snow may be deep-sea bacteria that live in the ocean floor.

"I've been going to sea for 25 years and I'd never seen anything like this," said Dr. Robert W. Embley, a scientist with the National Oceanic and Atmospheric Administration.

The navy system on which the scientists relied is known as the Sound Surveillance System, or SOSUS, which for decades has been used exclusively to track the ships and submarines of potential enemies. Started in the 1950s, it now grids the globe

## Rushing to Witness Underwater Volcanic Fury

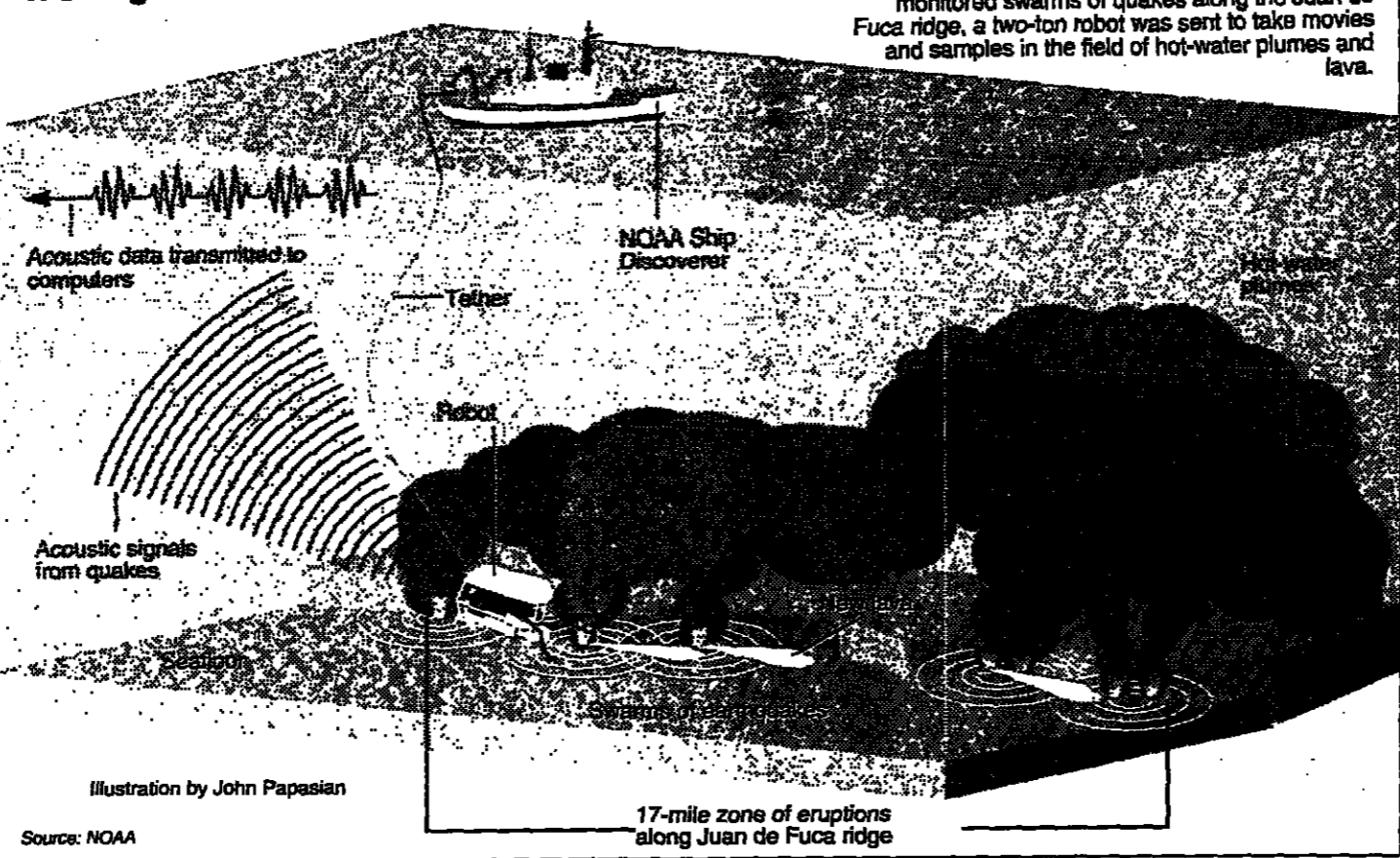


Illustration by John Pappasian  
Source: NOAA

When secret Navy underwater listening devices monitored swarms of quakes along the Juan de Fuca ridge, a two-ton robot was sent to take movies and samples in the field of hot-water plumes and lava.

with a vast network of underwater microphones that are tied to navy shore stations by some 30,000 miles of undersea cables. The system is estimated to have cost \$15 billion.

In its espionage work, the navy filters out the sounds that geologists find most interesting — the super-low-frequency vibrations made by sea quakes and undersea volcanoes. At 1 to 50 hertz, or cycles per second, these lie far below the higher-frequency noises made by most ships and submarines.

Scientists at the Hydrothermal Vents Program in Newport, Oregon, which is part of the oceanic agency, approached the navy about examining such low-frequency signals and were allowed to do so for the first time in 1991. That data was stored on magnetic tapes and examined later. The system's sensitivity was such that agency researchers in 1992 detected more than 7,500 seismic events in the Pacific Northwest, most of them in the ocean. In contrast, geologists using land-based instruments during that same period detected only 300 events.

Starting on June 22, the agency's scientists began getting the data piped directly over a telephone line to the Pacific Marine Environmental Laboratory in Newport, so that they could monitor undersea events as they happened.

"I honestly expected to spend months or years looking for an eruption," said Dr. Christopher G. Fox, one of the scientists who set up the system. "It only took four days. But it also may illustrate how active those systems are out there."

# U.S. Senator, in Hanoi, Sees Vietnam Trade Barrier Ending

**HANOI** — A U.S. senator said here Friday that President Bill Clinton was on the verge of lifting the American economic embargo against Vietnam.

"I believe that the embargo will be lifted sometime between the middle of September and the end of the year," Senator Charles S. Robb, Democrat of Virginia, told reporters after talks with Prime Minister Vo Van Kiet on the issues involved.

Mr. Robb, chairman of the Senate subcommittee on East Asian and Pacific affairs, was the first senior American visitor to Hanoi to forecast a time frame for an end to the embargo.

Vietnam, developing its Communist economy along market lines, is eager for the ban on trade and economic relations to be lifted, and U.S. companies want to do business here.

But Mr. Clinton is under pressure to maintain the sanctions, both from conservative Americans and from groups representing Vietnam War veterans and families of U.S. servicemen listed as missing in action.

Mr. Robb said all leaders of the Association of South East Asian Nations to whom he had talked, and business interests in the region, wanted to "move forward" on the issue.

But because Vietnam aroused strong emotions among veterans, MIA families and Americans of Vietnamese origin, Mr. Clinton would need "additional support," he said, "to make certain that the American people accept this move."

Mr. Robb said that barring unforeseen events, the embargo would be lifted "sometime between Sept. 14 and the end of the year,

but not necessarily on Sept. 14." The embargo was imposed on North Vietnam in 1964 and extended to the whole country in 1975.

In talks with Mr. Kiet and Vietnam's foreign and interior ministers, Mr. Robb voiced disappointment at being prevented from seeing one of the country's most prominent imprisoned dissidents.

Nguyen Dan Que, whose brother lives in Virginia. But he said Interior Minister Bui Thien Ngo promised to make sure that medicines he had brought from Mr. Que's brother were delivered to the dissident in prison in Ho Chi Minh City.

Mr. Que, 51, was sentenced to 20 years in prison in 1991 for "subversive activities." He had already been incarcerated for 10 years for political reasons.

Mr. Robb was told before arriving in Vietnam that he had an appointment to see Mr. Que on Thursday. But by the time he arrived, he said, it had been canceled.

The senator said human rights questions would influence developments in U.S.-Vietnamese ties after the embargo had been lifted, including establishment of diplomatic ties.

He said he thought Vietnam had complied with one of the two conditions for lifting the embargo — withdrawing its troops from neighboring Cambodia — and was cooperating in the U.S. effort to account for its 2,248 MIAs.

Starting on June 22, the agency's scientists began getting the data piped directly over a telephone line to the Pacific Marine Environmental Laboratory in Newport, so that they could monitor undersea events as they happened.

"I honestly expected to spend months or years looking for an eruption," said Dr. Christopher G. Fox, one of the scientists who set up the system. "It only took four days. But it also may illustrate how active those systems are out there."

## WORLD BRIEFS

### Georgian Says He Killed American

**TBILISI, Georgia (AP)** — A 21-year-old Georgian soldier fired the shot that killed a U.S. diplomat outside Tbilisi early this month because the American's car did not stop and pick him up, investigators said Friday.

Anzor Sharmadze, a fighter in the war in the Abkhazian republic, confessed to firing a single shot at the back of the car on Aug. 8, Deputy Prosecutor-General Vakhtang Vartanishvili said.

Fred Woodruff, 45, who was riding in the backseat, was hit in the head and killed. U.S. newspapers have reported that Mr. Woodruff was actually a CIA agent in charge of training bodyguards for the Georgian leader, Eduard A. Shevardnadze.

### Russia Suspends Lithuania Pullout

**MOSCOW (Reuters)** — Russia said on Friday that it had suspended a pullout of its last troops from Lithuania, demanding that Vilnius sign a formal agreement ending their 50-year presence in the Baltic republic.

"The Russian side has decided to suspend the pullout, and it calls on the Lithuanian leadership to try and provide a legal basis for the withdrawal of Russian troops," the Russian Foreign Ministry said.

Russia's decision to delay the withdrawal was first reported by Lithuanian officials earlier this week. It throws a question mark over agreements to complete the pullout by Aug. 31.

### Vatican Welcomes China's Overture

**VATICAN CITY (Reuters)** — The Vatican on Friday welcomed China's willingness to normalize relations and confirmed that there were indirect contacts between the world's largest and smallest states.

The Vatican statement came 24 hours after the official Chinese press agency, Xinhua, quoted a Foreign Ministry spokesman as saying Beijing was willing to improve links with the Holy See, which have long been blocked by a feud over the Catholic Church in China. But the spokesman said relations could improve as long as the Vatican cut its diplomatic ties with Taiwan and refrained from interfering in China's internal affairs.

### Albania Arrests 7 Top Communists

**TIRANA, Albania (AP)** — The police have arrested seven more senior Communists in a widening investigation into allegations of abuse of power before and after free elections that ended one of Europe's most oppressive Stalinist regimes.

The former Communist president, Ramiz Alia, 68, who has been under house arrest for nearly a year on charges of abuse of power, was taken to prison Thursday, his son-in-law said. Two other former leading Communists, Prokop Murra and Foto Cami, were also moved from house arrest to prison, state television reported. Four other members of the former Politburo, the Communist Party's chief decision-making body, were also arrested, according to the statement.

### Nicaraguan Hostages Reported Safe

**MANAGUA (NYT)** — Thirty-seven legislators, government officials and military officers taken hostage by a group of former contras were reported in good health and safe by representatives of the Organization of American States on Friday.

The hostages, seized Thursday, included three members of the National Assembly. They had gone to the rural village of Quinala, near the Honduran border, to negotiate with former contras who have taken up arms again to demand changes in government policies.

The government of Violeta Barrios de Chamorro had threatened to use force to disarm the contras if they did not accept an amnesty and turn in their weapons by the end of the month. Two Latin American diplomats here say they believe the hostages were taken as a way of ensuring that the army did not move against the former contras after the deadline.

### Japanese Student Shot in California

**SAN FRANCISCO (Reuters)** — A Japanese exchange student was found with a gunshot wound in the head Friday, less than a year after the killing of an exchange student in Louisiana provoked outrage in Japan.

Masakazu Kuriyama, 25, who was living with a family in the San Francisco suburb of Concord, was in critical condition after being found near a railroad station. The police said robbery may have been a motive.

In October, a Louisiana man shot and killed a Japanese exchange student who had knocked on the wrong door when looking for a Halloween party. The gunman was acquitted of manslaughter charges.

### For the Record

The death toll from the collapse of the Royal Plaza Hotel in Thailand, said week rose to 123 Friday with the recovery of two more bodies from the rubble, said an official in the northeastern city of Nakhon Ratchasima, also known as Korat. An American, a Briton and three Swedes are included in the toll. (AFP)

# Günther van Well, West German Diplomat, Dies

**New York Times Service**  
Günther van Well, 72, the West German ambassador to the United States from 1984 to 1987, died Saturday in Bonn after a brief illness.

Mr. van Well took charge of his country's embassy in Washington after three years as West German representative at the United Nations. His most trying moments in

the United States arose from a gesture billed as a symbol of American-German reconciliation.

Just over a year after Mr. van Well took up his post, President Ronald Reagan and Chancellor Helmut Kohl met at a German military cemetery in Bitburg. It became an embarrassment when it turned out that among the 2,000

graves were those of 49 soldiers of the Waffen SS, the Nazi military organization.

Many Jewish groups, veterans organizations and a majority of the House of Representatives protested, writing that the visit would have "the unintended effect of reopening painful wounds in the United States." Mr. Reagan and Mr. Kohl nevertheless kept to their agenda that that May day in 1985, and it was largely left to Mr. van Well to calm the outcry.

Later that month he became the first West German official to be invited to address B'nai B'rith International, mostly because of Bitburg. He urged renewed efforts to build bridges between his country and American Jews. By all accounts his reception was cordial and his hosts considered the invitation a step toward that end.

Herbert Philbrick, 78, Spied on Communists  
CONCORD, N.H. — Herbert Philbrick, 78, who chronicled his years of spying on the Communist Party for the FBI in the best-selling autobiography "I

Led Three Lives," died Monday in North Hampton.

As a member of the New England chapter of the Communist Party, Mr. Philbrick fed the FBI information on the party's activities in the United States.

Donald William Kerst, 81, builder of particle accelerators used in exploring the atomic nature of matter, died of a brain tumor Thursday in Madison, Wisconsin. He was a member of the physics department of the University of Wisconsin from 1962 until 1980.

René Dreyfus, 88, winner of the 1930 Grand Prix of Monaco and founder of Le Chateaufort restaurant in New York, died of an aneurysm of an aorta Monday in New York. He was a champion international driver from 1925 to 1950.

A forest fire in northern Spain forced the evacuation of an inn occupied by travelers en route to the traditional pilgrimage site of Santiago, Chile, on Oct. 28, the airline said.

British Airways will begin weekly service from London to Santiago, Chile, on Oct. 28, the airline said.

The hunting season in Greece has been postponed by a court because of a lawsuit by an environmental group. The season, which had been due to start Friday, has been postponed at least until Dec. 8. (AP)

### RELIGIOUS SERVICES

<b>AMSTERDAM</b> CROSSROADS INTERNATIONAL CHURCH 1516 or 020-634-1359	<b>ROME</b> ST. PAUL'S WITHIN THE WALL, Sun. 9:30 a.m. 10:30 a.m. 1:00 p.m. Spanish Eucharist, Via Napoli 58, 00184 Rome, Italy Tel: 595 474 35 62	<b>FRANKFURT</b> INTERNATIONAL CHRISTIAN FELLOWSHIP Sonderstr. 11-18, 65939 Bad Homburg, phone: 06134-22278 or 06155-643250 serving the Frankfurt and Taunus areas. Services: Sunday worship 09:45, nursery + Sunday school 10:00, women's circle - Friday 09:30, Newcomers - Sunday + Wednesday 19:30, Pastor M. Leves, member European Baptist Convention. Tel: 294 336-3555	<b>ASSOC. OF INT'L CHURCHES IN EUROPE &amp; MIDEAST</b>
<b>FRENCH RIVIERA</b> CORNERSTONE CHRISTIAN FELLOWSHIP Antipolis, 10:30 a.m. Sundays; nursery, Sunday schools; Tel: 93 655 64 54	<b>WATERLOO</b> ALL SAINTS' CHURCH, 18 Sun. 9 & 11:15 a.m. Holy Eucharist with Children's Chapel of U.S. servicemen listed as missing in action.	<b>BERLIN</b> AMERICAN CHURCH IN BERLIN, cor. of Clay Alley & Potsdamer Str., S.S. 930 a.m. Worship 11 a.m. Tel: 030-9193221	<b>BERLIN</b> AMERICAN CHURCH IN BERLIN, cor. of Clay Alley & Potsdamer Str., S.S. 930 a.m. Worship 11 a.m. Tel: 030-9193221
<b>MADRID</b> COMMUNITY CHURCH, Worship and Church School at 11:00 a.m., Padre Garmas 34, (Avenida Central and Geta, 19090) International, English Speaking. Tel: 659-2557	<b>WIESBADEN</b> THE CHURCH OF ST. AUGUSTINE OF CANTERBURY, Sun. 10 a.m. Family Eucharist, Friedländer Strasse 3, Wiesbaden, Germany. Tel: 4961130 66 74	<b>BRUSSELS</b> THE INTERNATIONAL PROTESTANT CHURCH OF BRUSSELS, Sunday School 9:30 a.m. and Church 10:45 a.m. Katernberg 19 (at the St. School), Tel: 673 06 81, Bus 55, Tram	<b>COPENHAGEN</b> INTERNATIONAL CHURCH OF COPENHAGEN, 27 Farnegade, Vester, near Rådhus, Study 10:15 & 11:30. Tel: 31504765
<b>MUNICH</b> INTERNATIONAL COMMUNITY CHURCH EUCARISTICAL, Bible Believing, Service in English 10:15 a.m. Sunday, Holy Spirit St. 10 (U.S. Theaterstr.) 089 53 45 74	<b>EUROPEAN BAPTIST CONVENTION</b>	<b>GENEVA</b> EV. LUTHERAN CHURCH of Geneva, 20 rue Mercator, Sunday worship 10:30 in German 11:15 in English. Tel: 022 510 50 86	<b>GENEVA</b> EV. LUTHERAN CHURCH of Geneva, 20 rue Mercator, Sunday worship 10:30 in German 11:15 in English. Tel: 022 510 50 86
<b>MONTE CARLO</b> INT'L FELLOWSHIP, 9 Rue Louis-Napoléon, Sunday Worship 11:00 & 6 p.m. Tel: 92 16 56 00	<b>BARCELONA</b> INTERNATIONAL BAPTIST CHURCH will meet at 11:00 a.m. at the Hilton Hotel for worship (English language). Phone 4101691	<b>FRANKFURT</b> TRINITY BAPTIST S.S. 930, Worship 10:30, nursery, warm fellowship. Meets at Bismarckplatz 54 in Wassenaar Tel: 01751-79234	<b>FRANKFURT</b> TRINITY LUTHERAN CHURCH, Hildburghausen Allee 54 (D-Bonn St. Sunday School 9:30, worship 11 a.m. Tel: 069 599476
<b>PARIS and SUBURBS</b> HOPE INTERNATIONAL CHURCH (Evangelical) Sun. 9:30 a.m. Holy Communion, 11:00 a.m. 3:00 p.m. Avenue Hoche, Paris 8th. Tel: 01 47 75 14 27	<b>BERLIN</b> INTERNATIONAL BAPTIST CHURCH, BERLIN, Hohenzollern Str. 12, 10815 Berlin at (Spreewald) Bible study 10:45, worship at 12:00 and 19:00 each Sunday, Charles A. Warfield, Pastor. Tel: 030 774 4970	<b>MUNICH</b> INTERNATIONAL BAPTIST CHURCH OF MUNICH, 10:30 a.m. Sunday School, 11:00 a.m. Bible study 10:00, 10:45, 11:00, 11:30, 12:00, 19:00, 19:30, Pastor's phone: 6908234	<b>GENEVA</b> EV. LUTHERAN CHURCH of Geneva, 20 rue Mercator, Sunday worship 10:30 in German 11:15 in English. Tel: 022 510 50 86
<b>SAINTE-JOSEPH'S CHURCH (Roman Catholic), Masses Saturday Evening 6:30 p.m., Sunday, 9:45, 11:00, 12:15 and 6:30 p.m. St. Avenue Hoche, Paris 8th. Tel: 01 47 75 14 27</b>	<b>BONN/KÖLN</b> THE INTERNATIONAL BAPTIST CHURCH OF BONN/KÖLN, Rheinstrasse 9, Köln, Germany. Tel: 02233 40221	<b>LONDON</b> AMERICAN CHURCH in London at 79 Tottenham Court Road, London W1P 7SS at 9:45 a.m. & 11:15 a.m. Goodie street bible Tel: 01 58227	<b>MOSCOW</b> MOSCOW PROTESTANT CHAPLAINCY, UPRK Hill, U.L. Ulica Parre 5, bldg 2, Workshop 3 + 11:20 a.m. S.S. Tel: 143-0382
<b>ZÜRICH</b> ZÜRICH-ENGLENSPARK CATHOLIC MISSION, located at St. Aron Church, Miesweg 63, near Nusstasse, Sunday Masses at 11:15 a.m. Tel: 01-282-02-06	<b>BREMEN</b> INTERNATIONAL BAPTIST CHURCH (English language) meets at Evangelisch-Friedrich-Königsplatz (around the corner from the Bahnhof) Sunday worship 17:00 Ernest D. Walker, pastor. Tel: 04791-12877	<b>MOSCOW</b> MOSCOW PROTESTANT CHAPLAINCY, UPRK Hill, U.L. Ulica Parre 5, bldg 2, Workshop 3 + 11:20 a.m. S.S. Tel: 143-0382	<b>OSLO</b> American Lutheran Church, Finkenvegt, 15 Workshop 9, Sunday School 10 a.m. Tel: 00244-2634
<b>TOKYO</b> ST. PAUL INTERNATIONAL LUTHERAN CHURCH, near Ikebashi, Sun. 11:00 a.m. 3:00 p.m. 7:30 a.m. Sunday Service 9:30 a.m. Sundays	<b>BUDAPEST</b> International Baptist Fellowship, 11 Bembo u. 56 (near greenway Tapolcsányi u. 7, immediately behind front entrance), 10:30 Bible study, 6:00 p.m. Pastor Ben Haffel. Tel: 1158759 & 158116	<b>PARIS</b> AMERICAN CHURCH IN PARIS, Worship 11:00 a.m. 55 Quai d'Orsay, Paris 7, Bus 63 2:30 p.m. Metro: Alma-Montparnasse or Invalides. Tel: 01 58 22 7	<b>STOCKHOLM</b> SPANISH CHURCH, Worship Christ in Spanish, English or Korean, 11:00 a.m. Sunday, 9:30 a.m. 10:30 a.m. (Korean) 11:00 a.m. 12:25 a.m. 727 for more information.
<b>THE EPISCOPAL CHURCHES OF EUROPE (Anglican)</b>	<b>WUPPERTAL</b> International Baptist Church, English, German, Persian, Worship 10:30 a.m. Scholerstr. 21, Wuppertal - Elberfeld. All denominations welcome. Hans-Dietrich Freund, pastor. Tel: 0202-436266	<b>VIENNA</b> VIENNA COMMUNITY CHURCH, Sunday worship 11:00 Tel: 01 40 42 34	<b>VIENNA</b> VIENNA COMMUNITY CHURCH, Sunday worship 11:00 Tel: 01 40 42 34
<b>FLORENCE</b> ST. JAMES CHURCH, Sun. 9 a.m. 11:15 a.m. 11 a.m. File II, Via Bernardo Rossellino 9, 50123, Florence, Italy. Tel: 39955 23 44 77	<b>ZÜRICH</b> INTERNATIONAL BAPTIST CHURCH OF WILDERAU (Zürich), Switzerland, Rosenbergsstrasse 4, Worship Services Sunday mornings 11:00 Tel: 7020212	<b>WARSAW</b> WARSAW INTERNATIONAL CHURCH, Preaching English language expatriates, Sunday 11:00 a.m., 10:30 a.m. (Korean) 11:00 a.m. 12:25 a.m. 727 for more information.	<b>ZÜRICH</b> INTERNATIONAL PROTESTANT CHURCH, English speaking, worship service, Sunday School & Nursery, Sunday 11:30 a.m. Schanzengasse 25, Tel: 01 262325
<b>FRANKFURT</b> CHURCH OF CHRIST THE KING (Evangelical/Anglican) Sun. Holy Communion 9 & 11 a.m. Sunday School and Nursery 10:45 a.m. 11:45 a.m. 3:00 p.m. 7:30 p.m. Pastor: Jm Webb, Tel: 06155-6008216	<b>EUROPEAN UNITARIAN UNIVERSALISTS</b>	<b>WARSAW</b> WARSAW INTERNATIONAL CHURCH, Preaching English language expatriates, Sunday 11:00 a.m., 10:30 a.m. (Korean) 11:00 a.m. 12:25 a.m. 727 for more information.	<b>ZÜRICH</b> INTERNATIONAL PROTESTANT CHURCH, English speaking, worship service, Sunday School & Nursery, Sunday 11:30 a.m. Schanzengasse 25, Tel: 01 262325
<b>DARSTADT</b> DARSTADT/EBERSHARDT BAPTIST CHURCH, Bible study & Worship Sunday 10:30 a.m. Pastor: Hans-Dietrich Freund, Tel: 0202-436266	<b>DÜSSELDORF</b> INTERNATIONAL BAPTIST CHURCH, English, s.s. 10:30, worship 11:00 Children's church and nursery. Meets at the International School, Leuchterberger Kirchweg 2-D-Karlsruhe. Friendly relations. All denominations welcome. Dr. W.J. Delany, Pastor. Tel: 0211400 157	<b>PARIS</b> PARIS: (11) 42 71 56 77 GENERAL INFORMATION: (49) 021 56 17 72 CONFERENCE INFORMATION: Nov. 12-14 (11) 44 33 00	

## AMERICAN TOPICS

### Michigan Drops Property Tax As Source of School Funding

Governor John Engler of Michigan, a Republican, has signed legislation that will eliminate local property taxes as a source of funds for public schools, a radical step that advocates hope will lead to a restructuring of the school system.

How to replace some or all of the \$6 billion a year in lost revenues — two-thirds of the money spent for elementary and secondary education in the state — is the most pressing task facing legislators in Lansing in coming months.

The strongest opposition to the governor's plans is expected to come from teachers' unions. A few minutes after Mr. Engler signed the bill, the Michigan Federation of Teachers filed suit to force the legislature to adopt a new financing mechanism immediately.

Local revenues, mostly property taxes, account for about half the money spent on public schools in the United States, with the rest coming from the federal and state governments.

Mr. Engler has not proposed a way to close

## TRAVEL UPDATE

A Belgian tourist has died of diphtheria in Russia, becoming the first Western visitor to die of the disease there. Health officials have reported outbreaks of diphtheria and other infectious diseases as sanitary conditions deteriorate due to the worsening economy. (AFP)

German travel agents planned Friday to shift home almost 4,000 German tourists stranded in the United States because of the financial difficulties of their cut-price tour operator. The tourists' carrier, American Trans Air Charter, has refused to fly them out of San Francisco, Los Angeles and Fort Lauderdale, Florida, until the operator, Mario Reissen, pays its debts. (Reuters)

A forest fire in northern Spain forced the evacuation of an inn occupied by travelers en route to the traditional pilgrimage site of Santiago, Chile, on Oct. 28, the airline said. (AP)

British Airways will begin weekly service from London to Santiago, Chile, on Oct. 28, the airline said. (AP)

The hunting season in Greece has been postponed by a court because of a lawsuit by an environmental group. The season, which had been due to start Friday, has been postponed at least until Dec. 8. (AP)

## Short Takes

Harsh rap-music lyrics written and performed by blacks are coming under attack from other blacks. The New York Times reports, "People are outraged." See the Reverend Calvin O. Butts 3d, pastor of the Abyssinian Baptist Church in New York's Harlem, who is crusading against hard-core rap. "You are constantly hearing, over and over, talk about mugging people, killing women, beating women, sexual behavior. When young people see this — 14, 15, 16 years of age — they think this is acceptable behavior." Other black clergymen in Dallas, Los Angeles and Detroit also challenge lyrics that they say are immoral and destructive. Richard Wesley, a black playwright and screenwriter, counters that rap is attractive to young people because "it is anti-establishment, anti-authoritarian and it is rebellious."

Though a wildlife rabies epidemic has spread along the East Coast of the United States for the past seven years, officials of the U.S. Agriculture Department say it may be another six months before it can approve bait impregnated with vaccine, which has been widely effective in Europe. Some conserva-

## PLO, Amid Crisis, Loses a Senior Leader

TUNIS — A member of the Palestine Liberation Organization's executive committee, Mahmud Darwish, has resigned, reflecting a political and financial crisis within its leadership, Palestinian sources said Friday.

Mr. Darwish confirmed that he had quit but declined to give further details. "I am going to give all my time to my intellectual work," said Mr. Darwish, a poet.

Palestinian sources said he resigned in protest against the PLO's financial management and because he did not want to be associated with a possible accord with Israel on a limited withdrawal from the occupied territories.

The PLO chairman, Yasser Arafat, asked Mr. Darwish to withdraw his resignation but Mr. Darwish had decided during a meeting Monday at PLO headquarters here.

The move followed a crisis earlier this month when three members of the PLO's delegation to the Middle East talks threatened briefly to resign.

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# STATESIDE / A HEAD START

## ★ POLITICAL NOTES ★

### Perot's New Chart Falls to Fill in the Blanks

WASHINGTON — Ross Perot, challenged to produce specifics on his economic plan for the U.S. government, displayed a new chart but little new information on either the broad program cuts he has proposed or how he would make up for a more than \$400 billion shortfall caused by changed economic projections.

Mr. Perot has asserted that his economic program could balance the budget in five years. But his budget figures, according to his former economic director, John White, and other analysts, are off by more than \$400 billion because of an out-of-date economic baseline. Also, his plan lists huge amounts of unspecified spending cuts, including \$14 billion in savings in Medicare and Medicaid.

Mr. Perot, an independent candidate for president in 1992, made a 24-hour appearance on C-SPAN Thursday night. In it, he offered a chart on savings in Medicare, which provides health insurance for elderly and disabled Americans, and Medicaid, which provides health care for the poor. It listed all the categories of payments under those programs and the aggregate amount to be saved in each, but it did not specify how those savings would be achieved.

The budget discussion was a minor element of a program in which Mr. Perot's newest interest, defeating the North American Free Trade Agreement, drew his strongest effort. He said the accord would "destroy the American job base" and threatened to use his United We Stand America organization and his popularity to defeat it and those members of Congress who support it. (WFP)

### Finale of Iran-Contra Inquiry May Be Bruising

WASHINGTON — The end game of the Iran-contra investigation is proving as contentious as the six years preceding it, as lawyers for officials from the Reagan and Bush administrations prepare to fight the conclusions of the still-secret final report on the affair.

At stake are the reputations of some of the highest officials who served under Presidents Ronald Reagan and George Bush, including some who were not charged with crimes but whose activities in the arms-for-hostages scandal may be dealt with harshly in the report by the special prosecutor in the case, Lawrence E. Walsh.

The report is expected to charge that officials at the highest level engaged in a conspiracy to deceive the public. It will also stand as Mr. Walsh's coda on the tangled affair, his opportunity to define, in his own terms, the culpability of some officials in a scandal that many Republicans long ago dismissed as an attempt to transform a political dispute over the Nicaraguan rebels, or contras, into a far-reaching criminal case.

As a result, there is serious discussion in Washington legal circles suggesting that lawyers for some senior Reagan and Bush officials may mount a last legal battle to suppress the report. The battle would almost certainly be waged in secret because of a court order barring lawyers or their clients from discussing the matter.

The complaints about the report have emerged in the last two weeks, after a special three-member panel of appeals court judges, who supervise independent prosecutors, invited a number of people named in the report to review selected portions of it. The report was filed under seal by Mr. Walsh on Aug. 5. (NYT)

### Industry Study Sees \$42 Billion Health Plan

WASHINGTON — The net cost to the U.S. government of providing health insurance to the nation's 33 million uninsured under President Bill Clinton's forthcoming health proposal would be \$42.7 billion a year if the plan were fully carried out right away, according to a study by the consulting firm Lewin-VHI.

The study was commissioned by the Healthcare Leadership Council, which consists of insurance companies, small businesses, hospitals and other health-provider groups. The council strongly opposes Mr. Clinton's announced intention to require employers to provide health coverage for their workers.

The findings of the study were challenged sharply by the White House. "The people who paid for this study are the people who are profiting from the status quo," said Robert O. Boorstin, health spokesman for the White House.

"No wonder they reach conclusions that taken together add up to one big scare tactic," Mr. Boorstin said. "The fact is that Lewin-VHI is an extremely reputable company that is trafficking in ridiculous assumptions and drawing conclusions about a program that hasn't been announced." (WFP)

### Quote/Unquote

President Bill Clinton, vacationing on Martha's Vineyard: "If you're rested and happy and upbeat, you'll also do a better job for the United States." (Reuters)

## One Siamese Twin Survives Operation

PHILADELPHIA — Surgeons separated 7-week-old Siamese twins Friday in an operation that saved the life of one of the girls but left her sister dead.

Dr. James O'Neill of Children's Hospital of Philadelphia said the heart and liver the twins shared had been successfully connected to Angela Lakeberg. Deprived of a heart, her sister, Amy, died on the operating table.

Before the operation, the parents said good-bye to Amy, who was expected to die, and made imprints of the twins' hands, according to Georgia Welsh, the sister of the mother, Reitha Lakeberg.

"Unfortunately there was only enough substance for Angela in terms of the amount of heart tissue," Dr. O'Neill said at a press conference. "Amy did not have enough heart tissue in order to provide survival."

"Angela is stable, comfortable, and we hope that will continue to be the case," he said. "Obviously, we're sad that Amy could not be a part of continuing with her sister. That's the difficult part for us and her family."

The operation was the fourth on conjoined twins with shared hearts at the hospital. The longest survivor, separated in 1977, died of liver failure after three months.

A team of 18 doctors participated in an operation that began shortly after 8 A.M. and lasted 5 1/2 hours, considerably less time than the anticipated 10 hours.

Before the decision to operate was made, the twins underwent tests to see if their six-chambered heart could be rebuilt to serve one child. A normal heart has four chambers. Without surgery, doctors said, both girls would have died within weeks. With it, one twin has about a 1 percent chance of survival.

The twins were born June 29 at Loyola University Medical Center in Chicago, where doctors opposed separation. Kenneth and Reitha Lakeberg brought their daughters to Philadelphia on Tuesday.

The parents were in seclusion at the hospital. "Today it hit them. They're not as strong as people think they are," Mrs. Welsh said. "They took it really hard today. They kissed them and they hugged them, and then they said good-bye."

Mrs. Welsh sat outside the hospital, chain-smoking cigarettes, crying occasionally and talking about her nieces.

"We wished the very best to Amy," she said. "We know God's with her." (UPI, Reuters, AP)

## Away From Politics

The trust fund set up to repair Alaska's coastline after the Exxon Valdez oil spill has spent most of its money on administrative costs, legal and travel expenses, and reimbursement of the government and Exxon Corp., an Associated Press review has found.

Dale Lick resigned as president of Florida State University in Tallahassee a month after he withdrew as a finalist to head Michigan State University amid a controversy over remarks he made about black athletes. When Florida State regents learned he had applied for the job at Michigan State, they forced him out. The remark that cost him the Michigan post was: "The muscle structure of the black athlete typically is more suited for certain positions in football and basketball."

An FBI agent pleaded guilty to two felonies, admitting he bilked the bureau of almost \$18,000 and improperly pressed his estranged wife, also an FBI agent, to recant critical testimony against him. Eugene A. Bennett entered the guilty pleas before U.S. District Judge Thomas Penfield Jackson to charges of obstruction of justice and making false monetary claims.

A former laborer was executed by injection in Huntsville, Texas, for a \$30 robbery and abduction in which two men were shot and killed and their bodies hurled over a cliff. Carl Kelly, 34, went to his death after the U.S. Supreme Court rejected without dissent a late-hour appeal. (AP, WFP)

## Dole's Gone Fishin' — for Votes in New Hampshire

By Ann Devroy  
Washington Post Service  
WOLFEBORO, New Hampshire — "Doing any fishing?" a local man asks Bob Dole. "How's the fishing?"

Mr. Dole, the Senate Republican leader who has coyly selected New Hampshire, his presidential heart-break state, for a one-week summer vacation, looks incredulous. Could anyone think fishing is what he's been doing here?

After all, he has just returned from giving the Republican view of the world at the National Governors' Association conference in Tulsa, Oklahoma, completed three network morning news interview shows, chatted through interviews with local New Hampshire newspapers, appeared on two television stations and eight radio stations that reach into the state, and addressed a sold-out Chamber of Commerce luncheon in Portsmouth.

"Ah, well, fishing," Mr. Dole says to the man. "I'm not really much on fishing." Nor, it seems, is the senator from Kansas much on anything remotely resembling a vacation from politics, either.

There is, to be sure, a vacation setting, including a rustic rented "cabin" nestled in isolation with a view of the White Mountains. Mr. Dole's wife, Elizabeth

Hanford Dole, is there along with the senator's daughter from his first marriage. Mr. Dole, however, mostly is not.

On one typical morning the Kansas senator emerged as the sun came up, dressed in what could pass for vacation clothes — khaki slacks and a baseball cap. He wore them for his interviews on the three morning network news shows. But he soon switched to his more familiar blue suit and headed for Portsmouth and the Chamber of Commerce luncheon. The theme was bipartisanship with President Bill Clinton, but only if the results do not ruin the country.

Like two visits earlier this year, this week in New Hampshire is about Mr. Dole's continuing dream of the presidency, killed in the Republican primary here twice, in 1980 and more bitterly in 1988. Now, at age 70, he is at it again, telling audiences that he is "keeping any options open" for 1996.

Mr. Dole calls himself the "senior advance man" for the crowds of Republican contenders beginning to show up in the state.

He is just a touch defensive about the image of a campaign seven months after the new president has taken office, or about the obvious conclusion — all talk of bipartisanship aside — that Mr. Clinton's

failures are the fuel for Mr. Dole's success. Citing the record of Democrats showing up here only months after the 1989 inauguration of President George Bush, Mr. Dole says that, if anything, he has been restrained.

"If it happens and I'm in the race," he adds, "New Hampshire will be very important."

Mr. Dole enlists his audiences in the politics of this vacation. When he told his Chamber of Commerce audience "how nice it is to vacation in New Hampshire," they broke into giggles. Greeting an acquaintance who told him her husband was off on vacation, Mr. Dole cracked, "Oh, what's he running for?"

His visible position as the opposition leader is a blessing and a burden. Unlike other early Republican starters who have or may venture into this first primary state, he needs no introductions to New Hampshire voters. But unlike the others, he can thwart Mr. Clinton, and has; he can help Mr. Clinton get things done in Washington, and mostly has not. And his personification by Democrats as the symbol of gridlock, as the ultimate Washington player seeking to protect the status quo, is not a plus.

Outside the Portsmouth hotel ballroom where Mr. Dole gave his speech, Democratic activists were sporting signs. "Welcome, Senator Greedlock," and "President Dole. Not."

Inside, Mr. Dole was talking bipartisanship, but he wanted his business audience to understand what he meant by that. Republicans, he said, want health care reform, but not if it includes major new mandated costs for small businesses, not if it means significant reduction in health choice and not if it reduces the quality of health care overall.

Republicans, he said, will support the North American Free Trade Agreement; it is the Democrats that Mr. Clinton will have to bring along on that one. Republicans, Mr. Dole said, want welfare and education reform and better efforts against crime, but in each of these areas, he said, Mr. Clinton will have to have "true partnership" with the Republicans, not after-the-fact efforts to pick up enough votes to offset lost Democrats.

In an interview, Mr. Dole said the White House "talks bipartisanship" but has shown no sign of it yet. "They are fairly competitive and pretty good at that. They're not too good at working together," he said.

The Clinton White House, Mr. Dole said, still displays an "amateur's" skill at the Washington legislative process and needs "to mature" if it seeks bipartisanship. The opposition, he said, has a right to oppose policies it thinks are wrong.

## The Good Government Diet: Gore's One-Glove-Off Pitch

By Gwen Ifill  
New York Times Service

WASHINGTON — Strolling around a Pentagon courtyard filled with attentive federal employees, Vice President Al Gore is holding another gripe session.

Microphone in hand, sweat soaking his blue shirt, he exhibits the most concern of an afternoon talk show host, offering up precise doses of empathy and outrage.

But instead of tales of faithless husbands and long-suffering wives, Mr. Gore is talking about over-priced steam traps (for heating systems) and overregulated ashtrays, unwieldy personnel practices and all manner of bureaucratic slag.

In campaign-style trips to government agencies and in short-hop out-of-town investigative missions, he listens to and retells the same horror stories over and over and over. If ever a temperament was matched to a task, this is it.

The point of compiling these tales of woe has been grandly called reinventing government, a task Mr. Gore has been handed in order to fulfill a Clinton campaign pledge to cut waste and address the widely held perception that Washington does not work.

If that were not enough, Mr. Gore was also saddled during the budget fight with the job of fulfilling optimistic promises to Congress to find big, quick spending cuts.

On Sept. 7, Mr. Gore is scheduled to present his findings, disappointed not only by him but also by 1,000 full- and part-time employees. On that day, reinventing government will become reality instead of theory, or at least a real theory instead of a vague hope.

It will also become the well for a lot of expectations and promises, and the focus of fierce resistance from many people in the government whose programs are to be reinvented out of existence.

Mr. Gore's plan is expected to recommend steps to combine departments, reorganize governing the civil service and abolish commissions in a manner that remains faithful to the vision of David Osborne, an author whose writings have influenced President Bill Clinton and who has worked on the project.

"Mandate for Change," a book published by the Progressive Policy Institute, an arm of the Democratic Leadership Council, Mr. Osborne recommended legislation to eliminate or consolidate about 300 grant programs, an increase in waivers to allow state and local governments to bypass federal regulations and the appointment of a cabinet member in charge of overseeing the process.

But the Clinton administration will be forced to handle another

familiar problem the moment the ambitious plans are announced.

Mr. Clinton must push this latest initiative, despite the inertia of bureaucrats, lawmakers and lobbyists satisfied with the status quo, while at the same time promoting important proposals on health care and international trade that opponents say will increase taxes and cost jobs.

"It's not that his administration is going to stand or fall over whether the procurement system is streamlined," said William Kristol, a conservative Republican who was Vice President Dan Quayle's chief of staff. "But politically it's very important for him."

Clinton administration officials hope that by providing evidence that they really intend to clean up the government, Republicans can be wooed. Ross Perot quieted and debts can be repaid to senators, like Bob Kerrey, Democrat of Nebraska, who provided the crucial budget vote. But Washington bookshelves are full of the dusty fruit of previous efforts to streamline the government.

"Some describe it as pressure," Mr. Gore said in an interview in the characteristically cautious manner that makes him seem such a polar opposite to Bill Clinton. "We view it as opportunity."

At the least, it will be another opportunity for Mr. Gore to prove how central he has become to the Clinton administration. Officials said that the vice president had played a central role in developing environmental policy, budget strategy, staff maneuvering and the politics of defending the president.

Mr. Gore has grown fond of mocking himself, and uses his own supposed shortcomings as a sort of humanizing shield to deflect criticism or questions he does not want to answer.

Such was the case when he was asked to say, prematurely, how much money the streamlining initiative will save. Self-consciously, he began to spin out jokes that the comedian Jay Leno has told about his stiffness and his dancing style.

When reminded that he had failed to answer the question about cost savings, he demurred.

"I've tried to avoid any numerical estimates on the savings that are coming out of this, other than to say I'm confident they will be significant," he said.

Mr. Gore and his aides have already begun to lower expectations about how sweeping the plan will be. Mr. Clinton is expected to sign a number of executive orders aimed at reducing waste in the government when he presents Mr. Gore's report on Sept. 7. But the vice president also warned that some of the more far-reaching solutions might not occur for 8 or 10 years.

## Resettling of Iraqi POW's Angers Florida Legislator

MIAMI — A Florida congressman is protesting a U.S. program that will spend millions of dollars to resettle about 1,000 Iraqi prisoners of war and their families in the United States.

The prisoners "apparently threw up their white flags" and now are seeking asylum here, said Elizabeth Gregory, a spokeswoman for Representative Earl Hutto.

Mr. Hutto, in a letter to President Bill Clinton that was released Thursday, said resettling them could cost \$4,000 to \$7,000 per person.

Pam Lewis, of the State Department's Bureau of Refugee Programs, defended the program, saying these Iraqis were not "the bad guys." She said they had been persecuted by President Saddam Hussein and added that U.S. planes had dropped leaflets during the war urging Iraqis to defect and promising them protection.

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President Bill Clinton snatching a taste as he doled out pieces of birthday cake aboard Air Force One en route to the island of Martha's Vineyard in Massachusetts. The president turned 47 on Thursday.

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# Dissident Longs to Return but China, Wary of West's Meddling, Says No

By Nicholas D. Kristof  
New York Times Service

BEIJING — Han Dongfang's greatest hope is not the stuff of most people's dreams. He simply wants to be deported back to China. But Mr. Han, an independent labor leader who has spent the last year in the United States, is finding that even this modest goal is difficult to achieve. Hours after he returned to China, the police seized him, roughed him up and expelled him to Hong Kong.

Now Mr. Han, who met with President Bill Clinton in July, is holding a seven-day Hong Kong visa that expires Sunday. He refuses to apply for an extension of the visa, or for a new American visa, because he hopes that this will force Hong Kong to expel him back to his homeland.

One question is why Mr. Han would want to go back. A railroad employee who became the leader of the unofficial workers union during the Tiananmen democracy movement in 1989, he was later imprisoned, tortured and threatened with execution.

Annoyed by his refusal to admit wrongdoing, prison officials forced a long needle through his hand and finally locked him up in a cell with inmates who had tuberculosis. Mr. Han became infected with tuberculosis and was finally released in April 1991, when he was so ill that the authorities feared he would die in his hands.

After recovering, Mr. Han began to give interviews to Western reporters in which he described his mistreatment. He also announced plans to form an independent labor union. Partly in response to foreign pressure, the gov-

ernment issued him a passport and allowed him to travel to the United States for medical treatment.

Mr. Han slipped back into China last Friday through a small border post where immigration officials apparently had no idea who he was. The security agents who peruse names of registered hotel guests were apparently more alert, for the next morning the police entered his hotel room, detained him, pummeled him and expelled him to Hong Kong.

The incident is already adding to the strains between Washington and Beijing. In a sharp statement this week, the State Department said that China's action ran counter to provisions in the Universal Declaration of International Human Rights allowing all people the right to return to their home countries.

In a furious rebuttal, China accused the West on Thursday of trying to use Mr. Han to spread unrest in China and to deprive Beijing of its chance to become the host of the Olympic games in 2000.

"Through the performance by this anti-China tool who betrays the nation, we can see the vicious intentions of the international hegemonists who hate China," Wen Wei Po, a China-controlled newspaper in Hong Kong, said Thursday. "He is entirely a pawn controlled by Western forces specifically to make chaos in China."

Wen Wei Po linked Mr. Han's attempt to return to China to another current dispute in Chinese-American relations: suggestions by the United States that a Chinese ship, the Yinhe, is carrying to Iran the raw ingredients to make

mustard gas and nerve gas. American ships have tailed the Yinhe, which is now anchored in the Gulf, and U.S. officials are trying to arrange an inspection of the cargo.

China has accused the United States of blocking the ship's progress and has demanded compensation.

On a telephone interview from Hong Kong, Mr. Han, 30, emphasized that he remained a Chinese citizen and said he would continue to try to return to his country.

"I want to return for all kinds of reasons," he said. "One reason is that I want to file a lawsuit. My work unit expelled me, so I want to sue it."

Then I want to organize some independent labor activities, and educate people about labor and the law," he added.

He said he had not broken any Chinese laws,

but he did not rule out the possibility that he would be arrested if he succeeded in returning to China.

"I don't want to be arrested," he said. "But there are millions of soldiers and police arrayed against me. So there's not much point in worrying about what might happen."

Over the last couple of years, China has been increasingly willing to allow its dissidents out of the country, in most cases with mutually satisfactory results. The dissidents enjoy a taste of freedom and life abroad, but lose their influence at home.

The Chinese government has been reluctant to allow them back, however. A year ago, the government refused to allow an outspoken graduate student at Harvard University, Gong Xiaoxia, to return.

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# Yeltsin Makes His Case for Early Election

Compiled by Our Staff From Dispatches

MOSCOW — President Boris N. Yeltsin, in a largely formal gesture, asked Russia's parliament on Friday to agree to early elections to try to break a political deadlock.

"I understand that giving up power and facing voters is not an easy decision," Mr. Yeltsin said in a letter to lawmakers, which was made public by his chief of staff, Sergei A. Filatov. The president urged the deputies to take the "democratic and peaceful way out" of Russia's political stalemate.

Mr. Yeltsin and his hard-line enemies in parliament have been at odds for months over who should hold the majority share of power in post-Soviet Russia and direct the course of economic reform.

"If we are really concerned with the fate of Russia more than with our own short-term interests, then we should let the citizens of Russia have the chance to form an effective power structure without delay," Mr. Yeltsin said in the letter.

On Thursday, Mr. Yeltsin branded the parliament a "bulwark of renegade forces" blocking Russia's transition to democracy and market economy. He said he had a

10-week plan of action to push through polls in October even if parliament resisted them.

But the parliamentary speaker, Ruslan I. Khasbulatov, Mr. Yeltsin's arch-rival, effectively snubbed the president's threat.

"We are not going to reply to every militant statement from the president," he said at a meeting of supporters on Friday.

Legislative terms are not due to expire until 1995, and under the current constitution, adopted before the Soviet Union collapsed, Mr. Yeltsin does not have the authority to call elections.

Lawmakers have in the past said they might agree to early legislative elections as long as they were accompanied by early presidential elections. Mr. Yeltsin's term expires in 1996 and he said he would not run for a second term.

Meanwhile, Russia's minister for press and information, Mikhail Fedotov, resigned Friday, the Inter-Tass press agency said.

Mr. Fedotov has faced sharp criticism in recent weeks from leading newspaper and television editors who have accused him of incompetence and failure to resist

attempts by parliament to increase its influence over the media.

Mr. Khasbulatov appears to hold the trump cards in the fight over whether there should be early elections.

Most of those who took part in an April referendum of confidence in Mr. Yeltsin and his policies did not support the idea of early presidential or parliamentary elections.

Russia's current constitution, which Mr. Yeltsin wants to replace, does not envisage early elections. Even if Mr. Yeltsin takes the law into his own hands, he will need the backing from the powerful leaders

of Russia's 88 regions and republics.

Mr. Yeltsin proposed last week that a new Federation Council, comprising the regional leaders, should be granted wider powers, including some that now belong to parliament. But Mr. Khasbulatov rejected the idea.

"We cannot allow the creation of any artificial bodies that would replace the parliament," he said, assailing Mr. Yeltsin for what he contended were attempts to strengthen his powers at the expense of Russia's integrity and democracy. (Reuters, AP)

## KGB Files Reveal Hungarian's Fate

Agence France-Presse

MOSCOW — A former Hungarian prime minister who disappeared mysteriously after bidding to install a Soviet-backed regime in Hungary during World War II died two years later in a Moscow prison, according to archives revealed here.

Count Istvan Bethlen, prime minister from 1921 to 1931, approached the Red Army near Budapest in December 1944 to offer his services to the Soviets in a future Hungarian coalition government, the newspaper Izvestia re-

ported, citing archive files of the KGB.

According to the documents, handed over in July, Count Bethlen offered to help the former Soviet Union install in Hungary a coalition government including Communists. But Soviet authorities saw Count Bethlen as a reactionary and dismissed his approach. The Soviets arrested him on the orders of Foreign Minister Vyacheslav Molotov and, according to the files, he died of heart failure in October 1946 in Moscow's Butirka prison.

## Ex-King's Shore Visit Sparks Greek Violence

Reuters

ATHENS — Some 200 supporters of former King Constantine clashed with residents of a small southern Greek village Friday when the former monarch, who is vacationing on a yacht, stopped by to shop for supplies.

Constantine had anchored his yacht off the village of Neapoli and gone ashore to buy food and gas when his cheering supporters attacked another group of residents who opposed his presence, waving black flags. There were no serious injuries.

Constantine, his wife and five children bought the supplies under police protection and then hurried back to the yacht to avert causing more clashes.

His 10-day visit to Greece has fueled tensions between royalists and others who fear he returned to pave the way for reclaiming his throne.

Constantine fled Greece in 1967 after failing to overthrow a military dictatorship then ruling Greece, and has since lived in London. Greece abolished the monarchy in a 1974 referendum.

The visit has also prompted angry statements from opposition parties, calling on the conservative government to expel him.

The government has asked him not to disembark in populated areas and on Wednesday sent two navy torpedo boats and an air force plane to monitor the yacht he rented for a family vacation.

Constantine told BBC radio on Thursday that he had agreed to stay away from two towns in the Peloponnese Peninsula, and that in return the ships and aircraft would leave.

The ships and the aircraft withdrew Friday, and the former king went to Neapoli to refuel and buy supplies instead of the nearby town of Gythio where, he asserted, thousands of supporters were expecting him.

"I am a Greek citizen, a Greek passport holder, as all my family are," Constantine said. "I kept away from my country for 18 years. The time has come now for me to enjoy my country as a private citizen with my family."

Constantine is scheduled to leave Greece on Monday and will continue his vacation elsewhere before returning to Britain.

## Japan's soaring yen

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## Attacks on Israelis in Lebanon

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Youngsters waiting for soldiers to bring them treats Friday near the headquarters of French peacekeeping troops in Sarajevo.

## Envoys Urge EC Control of Bosnia Town

Reuters

GENEVA — International mediators appealed to the European Community on Friday to administer the Bosnia town of Mostar as part of an overall peace package.

Lord Owen, the EC envoy to the Bosnia peace talks, said that he hoped the 12-nation Community would agree to administer Mostar under a formula similar to the proposed United Nations administration of Sarajevo, the Bosnian capital.

The appeal came after the United Nations accused Bosnian Croat forces on Friday of forcing thousands of Muslims to flee from the Mostar region in southwestern Bosnia-Herzegovina.

"There are numerous reports of brutal ethnic cleansing, murder, looting, rape and other abuses by Bosnian Croat forces throughout the region," the UN High Commissioner for Refugees said.

It said 15,000 mostly draft-age Muslim men were thought to be held in detention centers guarded by Bosnian Croat forces in the Mostar region. "Detainees are reportedly being held in extremely poor conditions," the refugee agency said.

The agency, which said it had been denied access to much of the region, was prevented again on Friday from delivering food to Muslims in Mostar.

Lord Owen said he had been in touch with EC officials in Brussels, who were consulting with member states about accepting an interim two-year management of ethnically mixed Mostar.

Mostar, and especially its Muslim enclave, has been wracked by months of fighting — mainly between Muslim-led government forces and the Croats, the Muslims' erstwhile allies in the 16-month Bosnian war.

In Sarajevo, meanwhile, a spokeswoman for the UN refugee agency said that a second wave of patients was being prepared for evacuation to foreign countries.

Affiliates to Ireland, the Netherlands and Canada are to take place in the next few days, she said. Thirty-nine patients were airlift-

ed to Britain and Sweden last week in a highly publicized operation prompted by the plight of Irma Hadzimiratovic, a 5-year-old Bosnian girl who was severely wounded in a mortar attack in Sarajevo in which her mother was killed. The girl was reported Friday to have shown slight improvement in the London hospital to which she was brought nearly two weeks ago.

Since her evacuation, the UN refugee agency has been offered more than 1,000 hospital beds overseas for victims of the Bosnian war.

Sarajevo radio reported Friday that most of the capital was deprived of gas and water Friday because of a power cut.

## COUP: For a Dozen Soviet Plotters, a Special Limbo While Awaiting Trial

Continued from Page 1

1991, announced that it had taken power from Mr. Gorbachev to "restore order."

Mr. Baklanov, the former Central Committee member in charge of the Soviet military-industrial complex and a man known as a hard-liner, has become a businessman. He has an office at the Mir Bank, where he consults for defense plans hoping to restructure themselves for the new free market.

What he now earns from his work, he said, was a "broad smile." "It is clear that it dwarfs his 35,000-ruble (a bit over \$35) monthly pension."

Aside from preparing for the trial, Mr. Baklanov said, he did not spend much time looking back. "What happened, happened," he said. "Nothing can be brought back. I don't have any nostalgia."

For others, things have not turned out nearly so well. Gennadi I. Yanayev, a former Soviet vice president who is said to have spent most of the coup in a drunken stupor, has, according to friends, been forced to sell some possessions and rely on his two daughters to survive.

In a telephone interview, Mr. Yanayev said he had no source of income other than a 15,000-ruble-a-month pension that, his wife says, is "not much."

Other plotters have also felt the physical strain. Alexander Tsykov, formerly president of an industrialists union, has had severe heart problems that have forced repeated delays in the treason trial.

Valentin T. Varennikov, a former commander of ground forces, is also reportedly not well. Dmitri T. Yazov, a former defense minister, was released from jail in "poor" health, he is described as a victim of chemotherapy. In a recent interview with the Russian magazine Sklitsa, he sounded disoriented by his new circumstances, telling his interviewer this today, "everything is somehow hard to understand."

Anatoli I. Lukyanov, a former speaker of the Soviet parliament, had several heart attacks in jail and now looks noticeably grayer than he did two years ago.

"You can see I had some black hair left," he said, pointing to a precop photograph that adorns one of his books. "Jail doesn't make one any prettier."

He has written several small volumes of poetry and a memoir of the coup. Its publication in several countries has apparently allowed Mr. Lukyanov to continue living a comfortable life. His apartment, like Mr. Baklanov's, is in a well-maintained, secluded building. His study, which is larger than many typical Russian apartments, is filled with books, top-of-the-line electronic gear and a portable telephone.

Mr. Lukyanov is clearly bothered by his distance from the levers of power, although in an interview he went out of his way to say he was as busy now as he had been before everything fell apart. He can even say how many politicians and foreign reporters have come to see him since his release (60 reporters, as of Tuesday afternoon). He does not rule out running for parliament when elections are held — if he is not in jail for treason.

Like several others among the accused, Mr. Lukyanov has remained a committed and active Communist and said he would work to re-establish the Soviet Union "in a different form."

He recently was elected to the Central Committee of the newly revived Russian Communist Party and is a regular speaker at anti-

Yeltsin demonstrations. He is also an aggressive defender of the goals of the coup.

"Everything said in the address to the people has come to pass since then," he asserted, referring to the Emergency Committee's warnings about imminent collapse of the union and the economy. "People have seen what it means in reality when a big empire is destroyed."

Several other coup leaders, including Vladimir A. Kryuchkov, the former KGB chief; Oleg Shein, the former Central Committee secretary, and Valentin S. Pavlov, the former prime minister, have also remained active Communists. Vassili Starodubtsev, the former head of the farmers union, re-

claimed that post after his release from jail and recently led a nationwide farmer protest against the Yeltsin government.

Mr. Kryuchkov, the mastermind of the coup, told a gathering of Russian Communists recently that even if he was sentenced to death for his role, he was sure he would be cleared by "the trial of history."

But, at the same meeting, Mr. Kryuchkov acknowledged that he would not get involved in another effort to change the government by force.

## FOLLOW THE DIRECTIONS By Bernard Meren

- ACROSS 1 "LA, LA," group 6 African antelope 10 Record again 16 Debutary opus 21 Pie, in Pisa 22 Like — of bricks 23 Set of Deodolus 24 Circus Maximus official 25 Wisit and Abel 26 Clear's partner 27 Porhob's passus 28 Maniple 29 "West Side Story" 32 Figure of speech 33 Nonpareil 34 Tester 35 Nothing alternative 36 — No Business Like 37 Hebrew lyre 38 Soul 42 Work-safety 44 An ace in one 47 Bowl, in Bologna 50 Treats 51 Revolves as a legacy 57 E. St. Louis, a-g attachment 59 Prescribe 60 Feminist Kate 62 Old car

- 63 Fix up the house with new things 65 Opt 66 Over 67 Bridge positions 68 Aho aho 71 Tosses 72 Harvest 73 Pair on an angelus 74 Arrowpoison official 75 Govt. meditation group 78 Egyptian siskin 79 Mea West 82 Bye or hertz procedure 86 Spore-case clusters 87 Kid of therapy 88 Bolivian jamger 89 Verve 90 Coral island 94 Musical group 96 Obscure 97 Defeat 98 D. S. Prozman subject 99 Indonesian boat 100 "Play it Loud" Didion 108 A feeling of discomfort 104 Like Bogart's falcon 106 Western eggs 108 Mortarboard attachment 109 Price cutter, for one 110 — "Hate, there a little"

© New York Times crossword puzzle grid with numbers 1-111.

Solution to Puzzle of Aug. 14-15. A grid of letters corresponding to the crossword puzzle.

- 111 Embrace 112 Twenty-nine 114 Al — Algerian earthquake scene 1980 117 Hōhōchi city 118 High-level computer "language" 123 Shear, in Seattle 128 Invest 128 Start of a C. Moore classic 132 Tie 133 "East of Eden" 137 Tritite 138 A basic Buddhist doctrine 138 Whistle-chaser 140 Sanctum procedure 141 First five Old Testament books 142 Facade 143 Rowdydow 144 Libya's Gulf of subject 145 — of "traitors"; Shak 146 Start of a card 147 Ex-Senator Long of Hawaii 148 Buckler leader D O W N 1 Imperfect; Comb. form 2 An unassisted hydrocarbon 3 Instant 4 Northern Spy 5 Back talk 6 Actress Lili or Betsy 7 Male strands 8 "Love — 1931" song 9 Lolly 10 Cozme 11 Col. subject 12 — Mountain, Carpathian range 13 Soviet workers' collective 14 Hegel or Zuni 15 She, in Siena 16 Southpaw 17 Antarctic cape 18 Flighty scholar 19 Wed on the run

- 20 Lacoste and Descartes 30 G.I.'s fun place 31 Spino 32 — she blows 33 Dotted, in heraldry 40 "South Pacific" spiff 41 — live and breathe! 43 Lolly 44 One-deeded winged fruit 45 Corrected copy 46 Add more 47 French weather pattern 48 "Sophie's Choice" star 49 Town in Mass. 51 Survivalist 52 Precariously 53 Suffruth persist 54 Concordes 56 Fat Comb. form 57 National leader 58 — Palmes 59 Spanish province 61 Former German coin 64 Tipped a topper 65 Redeemer 70 Pianist Peter 74 What "video" means 76 Half note 77 French weather pattern 80 Property 81 With an — (considering) 82 North Carolina city 83 — 84 85 86 87 88 89 90 91 River duck 92 Texan's stepout 93 Calls at Wimbledon 96 Sobo blackjack 98 Uncle — (one of the Gumps) 99 Fear, in Pampuna 101 A spirit racer? 103 Café au 105 Blind a falcon 107 Historic period 113 Beloved abstractedly 115 High-ranking — person, for short 116 Wise, trusted adviser 117 Trampler 118 Common Market initials 119 Macaroni or vermicelli 120 Nobelist in Chemistry, 1922 121 Alarm 122 Soft drinks 123 Classic role for Ladd 125 Chips in chips 127 Dwelling 128 "A Fish Called Wanda" 130 Ripening agents 131 Bernhard 133 Coffee 134 Dele's opposite 135 Biblical weed 136 Part of S.W.A.K.

Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

UN Multilateralism: A Cure for Ugly New Nationalisms

By Butros Butros Ghali

The writer is secretary-general of the United Nations.

A Difference at the Talks

There is still a big gap between Israeli and Arab bargaining positions...

Prime Minister Yitzhak Rabin has bravely consented to the breaching of one of Israel's most emotional taboos...

There is still a big gap between Israeli and Arab bargaining positions, and Secretary of State Warren Christopher's recent trip to the region did not do much to narrow it...

Israel shunned the PLO, and persuaded Washington to do likewise, because the organization never convincingly distanced itself from terrorist attacks on Israeli civilians...

Consider what has been going on in the Palestinian camp in recent weeks. The last round of talks ended in deadlock over Jerusalem...

The Crackdown in Kuwait

Kuwait's government has now shut down six human rights organizations that were pressing it inconveniently hard...

after much pushing by the United States, and only under a prewar election law that restricts the ballot to one out of every eight citizens...

The government's decision now to ban the human rights organizations raises concerns that it may intend to proceed against other critics as well...

Recent events have given Kuwait's emir and his family plenty of reason to reflect on the relationship between their security and U.S. policy...

Press for Peruvian Reform

Peru's present version of democracy is the most restricted in South America, thanks to President Alberto Fujimori's 1992 coup...

And its human rights record is also the continent's worst, as Mr. Fujimori's actions to eliminate judicial independence and abolish procedural safeguards compounded problems generated by a notoriously abusive military...

Senator Patrick Leahy and Representative David Obey, who head the relevant foreign aid subcommittees in each house, rightly ask the administration to press harder...

The United States ought not to simply walk away from Peru in disgust. There have been some positive changes since the coup, like continued economic reform and some modest political liberalization...

Other Comment

A Good Start by Hosokawa

Prime Minister Morihiro Hosokawa deserves to be complimented on his reported proposal for a 1 trillion yen (\$950 billion) fund to compensate victims of World War II...

who stand to be compensated, that is good news. The news is less important for a Japan which is still trying to come to terms with an inglorious period in its history...

UNITED NATIONS, New York — Multilateralism stands for a long-held but rarely achieved ideal: the voluntary cooperation of nations for peace and development...

Member states of the United Nations have heaped new responsibilities on the organization. The danger, expense and scale of new operations exceed anything in the United Nations' history...

What is going on in places like Angola, Cambodia, El Salvador, Georgia, Haiti, Somalia, Tajikistan and the former Yugoslavia is nothing less than an effort to preserve the foundations of the state system while beginning to shape a post-Cold War structure of peace and security...

This is a difficult endeavor, with far-reaching and uncertain consequences. It is being made even more difficult by the upsurge of two kinds of ugly nationalism: ultranationalism and micronationalism...

From one direction come assaults by ultranationalists who, apparently nostalgic for the years when one or a few big powers called all the shots, would prefer that the United Nations

serve as cover for such interests and return to the relatively marginal role it played in years past.

In cases such as Bosnia and Somalia, when the secretary-general coordinates the political negotiations, humanitarian aid and peacekeeping operations, or approves the timing of a military action, it is not out of hunger for power but because the Security Council has placed a responsibility on the secretary-general to do so.

But in these and other peace operations, critics have failed to recall, or have misunderstood or have knowingly disregarded requirements of resolutions that their governments may have voted for or even helped to draft.

National forces that voluntarily serve under unified multilateral command cannot expect to conduct or not conduct a military operation on their own decision or to decide in the field to disobey orders.

Member states that elect not to provide troops cannot subsequently decide to enter the theater of conflict at a time and in a manner of their own choosing. Governments should not feel aggrieved when the United Na-

tions abides by binding resolutions and expects all states to do the same.

In many multilateral operations under way, the United Nations is attempting to deal with threats from micronationalism and the ethnic or tribal forces that cause states to fracture and fall apart.

In Somalia, the state and its sovereign authority and integrity ceased to exist as a result of these pressures. What the UN is trying to accomplish is the restoration to legitimacy of one of its members.

When it is suggested that the United Nations abandon this effort as violence worsens, or when the multilateral effort is undercut by the uncoordinated decisions of those contributing to it, the failure of a mission and the loss of a nation's hopes are at risk. This would also undermine what is perhaps the post-Cold War era's most fundamental task: the defense and strengthening of a cooperative and healthy international state system while defending legitimate minority rights within state borders.

Don't Blindly Follow the UN Lead

By Robert C. Byrd

The writer, a Democrat of West Virginia, is chairman of the Senate Appropriations Committee.

WASHINGTON — The news that the Clinton administration is considering an expanded role in United Nations peacekeeping operations is cause for concern.

The plan would allow U.S. soldiers to serve under foreign commanders on a regular basis. Before adopting any directive embracing this policy, the administration should allow Congress to debate it thoroughly.

If the plan is carried out, we Americans would face more than the dubious prospect of sending U.S. troops into battle under foreign command. We might also become militarily involved in operations that the American people do not properly understand or support.

Unless there is a national consensus in favor of U.S. involvement, any such military endeavors could be disastrous. UN intervention in Somalia is a case in point.

The operation was initially commendable. Its goal was to deliver humanitarian aid to war-torn Somalia, and American troops performed admirably.

But now, with the humanitarian mission successfully completed, the UN is trying to rebuild the nation's political structure. This risky endeavor could include thousands of U.S. troops.

The deaths of four American soldiers in Mogadishu this month and the overt hostility of

Somalis toward UN troops show that the operation is crumbling. It is not worth American lives lost and injuries sustained.

Congress has never approved, or even considered, U.S. participation in forcing a political reconciliation in Somalia. And there is certainly not a consensus among Americans that such an effort is worth any price in our soldiers' blood.

Without a consensus, the likely result of such an operation could be a cut-and-run failure similar to the Beirut disaster from 1982 to 1984. Lacking congressional and popular support, U.S. combat forces in Somalia should be removed.

Dedication to UN Security Council resolutions and peacekeeping missions should not be used by any administration to escape the hard job of consensus-building in Washington.

Despite a Security Council resolution authorizing member nations to do battle against the marauding Iraqi Army in Kuwait in 1990, the Bush administration sensibly sought congressional approval before committing U.S. forces.

The humanitarian mission in Somalia has now become a test case for the United States in taking sides under the UN umbrella. In October, the United Nations' initial six-month mandate there expires. If the mission is extended, additional money will be required.

The United States is expected to pay about 30 percent of the UN peacekeeping bill. The UN interventions in Somalia and Bosnia are far more expensive than more traditional peacekeeping and humanitarian relief operations.

lems — drugs, pollution, disease, human and natural disaster — cannot be dealt with enduringly without multilateral effort.

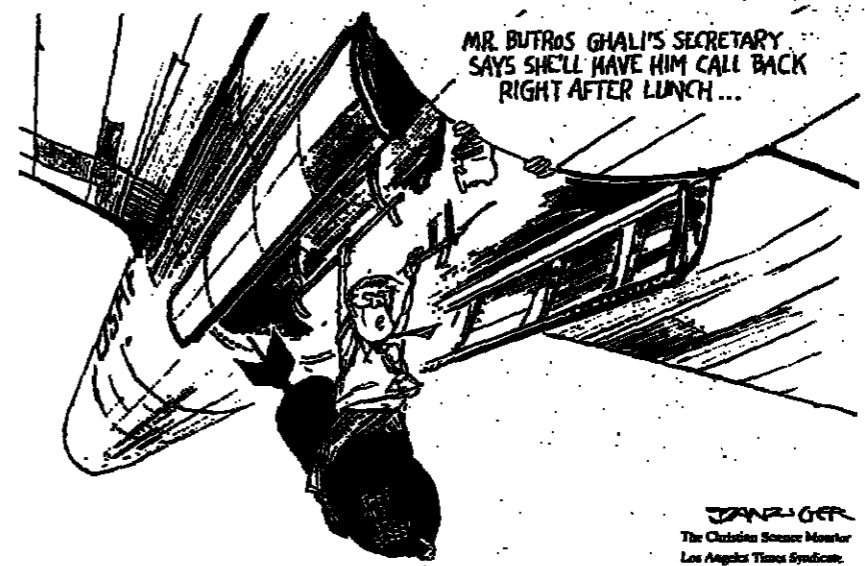
A growing number of member states are concluding that some problems can be addressed most effectively by UN efforts. Thus, collective security is finally beginning to work as it was conceived.

Despite setbacks, such efforts are reviving hopes for achieving a workable international system. If this momentum is to be built upon and maintained, governments must overcome attitudes ingrained when nationalism seemed incompatible with multilateralism and exercise the discipline multilateralism requires. Ethnic and micronationalist groups need to realize that justice and prosperity cannot be attained in a world made unworkable by endlessly splintering factions.

UN multilateralism will not replace — indeed, it must foster — responsible regional, bilateral and independent international activities.

The people of the world have become convinced that democracy is essential to progress with justice. Multilateralism is the democracy of international society.

The New York Times



MR. BUTROS GHALI'S SECRETARY SAYS SHE'LL HAVE HIM CALL BACK RIGHT AFTER LUNCH... The Cartoon Source: Monitor, Los Angeles Times Syndicate.

Congress is already being asked to provide billions of dollars to support the mushrooming ambitions of the United Nations in peacekeeping operations around the world.

The administration will have a tough sell in gaining support for more money. Where will these funds come from? We certainly should not cut spending on domestic needs to pay for foreign adventures.

Yet the White House has requested almost \$1 billion for UN obligations in fiscal 1994. By

setting aside this sum, the administration could avoid having to go to Congress to get approval for every peacekeeping endeavor in which it wants to get involved.

Congress's ability to support or deny financing is critical to ensuring its voice in policymaking. Until a clear consensus is reached regarding the U.S. role in all peacekeeping matters, Congress should not hand off its constitutional responsibility.

The Washington Post

Star Wars: A Major Scandal or a Resounding Cold War Success?

By Stephen S. Rosenfeld

WASHINGTON — Concerned legislators are gravely pursuing allegations that the Pentagon lapsed a missile test in 1984 to persuade Congress to spend billions on President Ronald Reagan's favored "star wars" defense against Soviet missile attack.

Well, yes, deceiving Congress is serious business, and it has to be pursued. But there is another allegation to pursue: that the first purpose of this "disinformation" operation was to panic the Soviets into spending tens of billions, in an effort doomed by their technological and economic weaknesses, to counter the American drive for a space-based anti-nuclear shield.

If the allegation about deceiving Congress is true, we are in the presence of a large scandal. If the allegation about deceiving the Kremlin is true, we are in the presence of a great Cold War scam and, conceivably, an immense success of U.S. policy. Both

these possibilities may have some truth. If further disclosure bears them out, we would face an intriguing dilemma characteristic of the Cold War time: whether figuratively to spurn great international benefit because it was obtained by means regarded as disreputable at home.

Behind the hint of misconduct — vigorously denied by former Defense Secretary Caspar Weinberger — lies the hint that he and his Pentagon team took a huge risk and won a huge prize. An immediate risk was that a phony intercept would sweep the United States into false confidence and an imprudent investment in "star wars."

A larger risk was that in pretending that a U.S. nonnuclear missile could hit a Soviet nuclear missile in space, the United States would be playing to Soviet paranoia, cranking up the arms race and providing Soviet hard-liners

with fresh evidence of American hostility and aggressiveness.

Nobody who paid attention during that period will forget Moscow's resentment and rage over "star wars," extreme even by Cold War standards. But it also happened that as the Soviets moved to counter the American program with their own, they put an unbearable extra load on their technology and their budget. Their economy and then their whole society began to collapse. Out went Leonid Brezhnev, in came Mikhail Gorbachev. The rest is the history of the End of the Cold War.

The Reaganites are not making the grandiose claim that they set a trap for the Kremlin, and it worked. They seem to be locked in by considerations of secrecy and discretion.

Moreover, the claim may not be justified, or fully justified, since

ling. (Moderates thought it could muddle through.) Still, Mr. Reagan does not seem one to launch "star wars," or to force a missile test, simply as a gambit to suck the Kremlin into futile, draining expenditures on its own missile defense. He was a true believer — in space-based nonnuclear defense and then in the abolition of all nuclear arms.

In 1962 I was in a group that interviewed Nikita Khrushchev, then the Soviet leader. He took the occasion to boast that the Soviet Union was building a missile to "hit a fly in space." He was wrong: never did the Kremlin accomplish that feat. But it was a revealing illustration, or so I later thought, of Soviet aspirations and apprehensions alike. In 1964 it might not have been farfetched for Americans to imagine they could impress a new crop of Soviet leaders by "hitting a fly in space."

The Washington Post

An End to Those Chemical Monsters

By Enrico Jacchia

ROME — The ongoing friction between the United Nations and Baghdad reminds us of Saddam Hussein's deadly threat to launch Scud missiles carrying poison gas against the allied troops and Israel during the Gulf War. Meanwhile, the Chinese ship Yinhe has been slowly wending its way to the Gulf, with a cargo of two chemicals that can be used to make poison gas.

For many years we have had reason to believe that the world will get rid of chemical weapons of mass destruction. One hundred forty-five countries have adhered to the convention banning such weapons, only months after it was opened for signature. This is impressive, considering the treaty's negotiation took 24 years.

The essential feature of the agreement — and this must be stressed — is its universality.

The Nuclear Nonproliferation Treaty has been criticized by many, particularly in the Third World, because it is unequal. Five great powers have the bomb and may keep it. Other signatories promise to renounce the possession of nuclear weapons.

But the Chemical Weapons Convention prohibits chemical weapons for all, and requires the destruction of existing stockpiles. So the United States and Russia, which have signed the treaty, have thereby agreed to destroy their huge stockpiles under international supervision.

Universality also means that, for this entire category of weapons, the limit is set to zero. That makes the task of verifying compliance clear and precise. A new organization, whose preliminary secretary has been set up in The Hague, will conduct international inspections of chemical factories once the treaty takes force. It has the authority to demand regular reports from chemi-

cal firms, including manufacturers of agricultural chemicals, and exert strict controls on the chemical trade. It is a daunting task. In Japan alone, about 1,000 factories will become liable to inspection, sources say.

Why did the treaty negotiations take almost a quarter-century? Those countries that had poison gas stockpiles were reluctant to renounce them. Countries that felt threatened by neighbors possessing nuclear weapons, as well as some developing countries, claimed that chemical weapons were the poor man's counterbalance.

Setting the limit to zero and aiming at universal adherence has been the final convincing argument. There will be no difference between big powers and small nations.

Setting the limit to zero also creates a moral rule. As no country can claim special status (a fundamental

difference with the Nuclear Nonproliferation Treaty), no transgressor will be immune to prosecution. Some may find all this academic. In fact, it is central to the security of all.

The prohibition of these destructive poisons is intended not just to protect single states or nations, but to safeguard mankind.

In the Far East, one of the most sensitive areas of the world, China, India, Pakistan, South Korea and Vietnam have signed the chemical weapons treaty. Despite Israel's adherence, some members of the Arab League (Libya, Syria, Egypt, Iraq, Jordan) have not. Intense negotiations have been launched to induce these governments to sign. Universal adherence to the treaty requires a breakthrough in that region.

Refused by a handful of nations to join the ban would make it clear to all that those nations violate an internationally recognized taboo.

International Herald Tribune

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: On Bathing Attire

DINARD, France — We have had several very hot days, which, however, have not interfered with the usual amusements. The mornings are taken up with bathing, or coaching and boating parties. As a rule the lady bathers wear "stays" while swimming, but are stockinged, and as a doctor remarked to-day: "Women should not swim in corsets. If they wish to appear cheaply, in proportion to their waists, they ought to lace their ankles as well." In other words, the doctor thought that large ankles and uncovered legs were inconsistent with laced-up waists.

1918: A Suffragette Slate

RENO, Nevada — The credit for swinging Nevada into the rank of suffrage states is commonly given to Miss Anne Martin. Now Miss Martin and her associates have called upon the state to show its gratitude by naming her for the rest of the

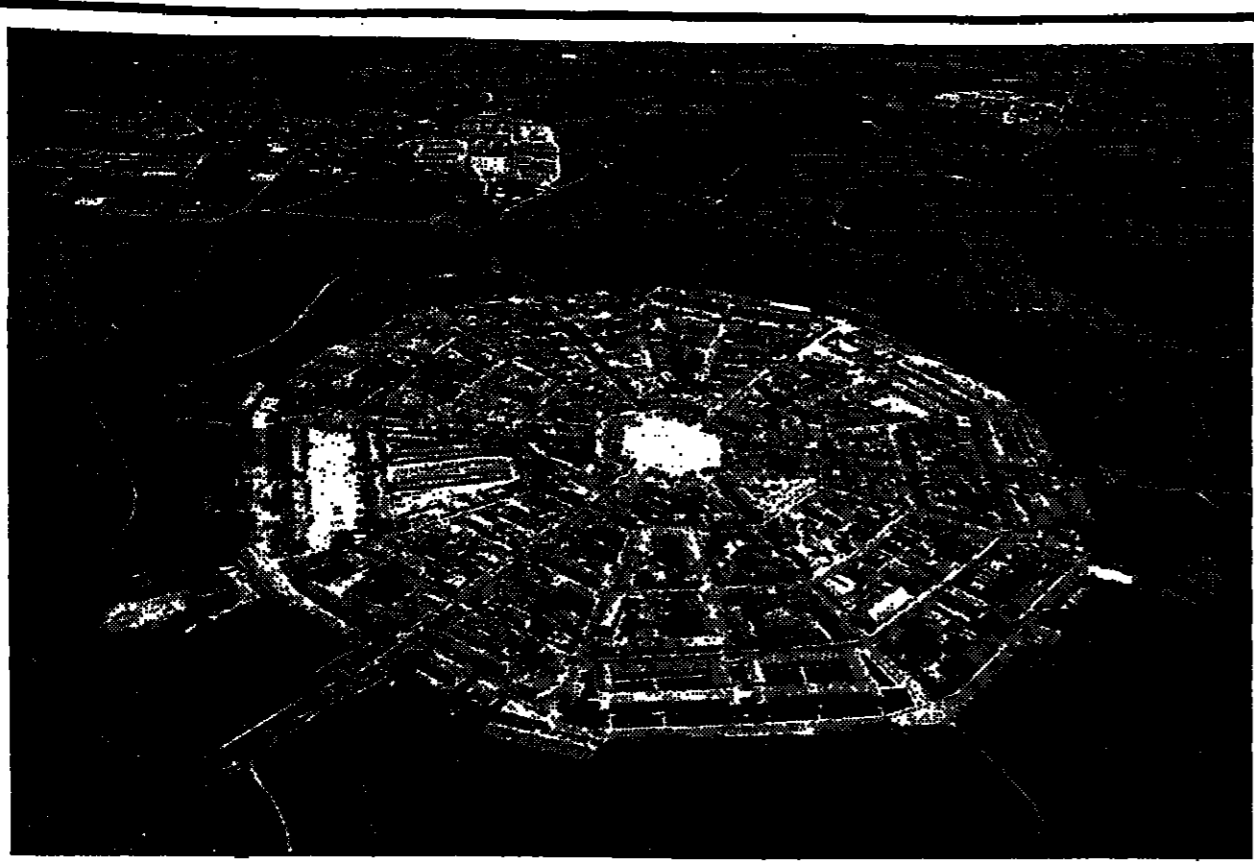
term of the late Senator Newlands. What her treatment at the hands of the electorate will be cannot be judged, but her campaign is attracting a lot of attention. She was obliged to get her name on ballot by petition, and to get the signature she organized a corps of handsome young women to canvass the state.

1943: Mosquito Attack

LONDON — [From our New York edition:] British Mosquito bombers attacked Berlin last night [Aug. 19] for the fifth time in eight nights, while other British and Canadian planes ranged over western Europe, hitting airfields and railways and sinking or damaging three enemy vessels in the English Channel. One bomber was lost in the Berlin raid. Royal Air Force Mitchell bombers raided an enemy aircraft factory in Flushing, Holland, by daylight today, and other British planes hammered at the railway marshaling yards in Abbeville, France.

International Herald Tribune advertisement including contact information for New York, London, and other offices, and a list of staff members like Richard McLean and John Vinocur.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.



Aerial view of the geometric fortress town of Palmanova, on the Friulian plain east of Venice.

## A Star of the Italian Renaissance

By Roderick Conway Morris  
*International Herald Tribune*

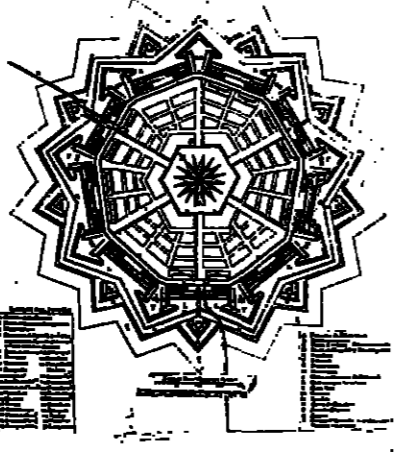
**P**ALMANOVA, Italy — Ancient visionaries dreamed of constructing ideal cities on strict geometrical lines, but it was not until the Renaissance that anyone actually set out to build one. The most complete example ever to be realized was the star-shaped fortress city of Palmanova, the first stones of which were laid on the Friulian plain east of Venice on a gray rainy day 400 years ago this October.

Still in a remarkable state of preservation, Palmanova is marking its anniversary with two exhibitions (both open until Nov. 15), one in the town, which is in itself the prime exhibit, and the other at the nearby Villa Manin, the grandiose country house of Venice's last doge.

Palmanova's principal architect was the native-born Friulian Giulio Savorgnan, who had already spent a lifetime soldiering and designing fortifications for Venetian colonies in Cyprus, Crete, Corfu and Dalmatia, and later on the Italian mainland at Bergamo and Brescia. While Savorgnan's previous commissions had involved improving the defenses of cities, the Palmanova brief was to build from scratch on an empty stretch of plain an ultra-modern fortress city.

Angled and star-shaped bastions had already been developed in Italy during the 16th century to counter the effects of increasingly powerful and accurate artillery and to remove blind spots in defensive walls. But Palmanova presented an opportunity to harmonize the entire urban layout with its defensive perimeter. Thus the heart of the town took the form of a huge nine-sided piazza, with symmetrical streets radiating out to an exactly measured outer polygon, its nine sides linked by triangular bastions, creating a perfect star.

The first phase of this undertaking, which required hundreds of thousands of cartloads of stone and thousands of workmen, took 30 years. Palmanova was supposedly a defense



Design for the fortress city, which was begun 400 years ago.

against the Turks, but in reality it was intended more to deter the Austrian Habsburgs to the north (who vigorously protested, to no avail, its construction).

However, as the Villa Manin exhibition suggestively demonstrates, the Palmanova project was guided not solely by strategic considerations. It was also strongly influenced by urban utopianism (not to mention a fascination with the zodiacal and mystical associations of perfect geometrical forms). The aim was to create a dazzlingly sophisticated showpiece to enhance the Venetian Republic's international prestige. And, in this respect, it was a resounding success. It was widely studied and admired (along with its other Italian prototypes), and inspired star-shaped fortresses and city fortifications throughout Central Europe, Scandinavia and Russia for the next two centuries.

Among the sometimes very beautiful designs, drawings, perspective views, and models of Palmanova and its successors on dis-

play is a colorful, neatly executed star-fortress plan, signed and dated 1753 by the 12-year-old future Austrian Emperor Joseph II.

A triumph as a public relations exercise, Palmanova was scarcely less formidable as a fortress, deterring anybody from laying siege to it for 200 years. The first time it was to see serious action was during the Napoleonic Wars, over a decade after the fall of Venice in 1797.

As a city, Palmanova suffered the same difficulties as other "new towns," artificially created much later, did with successive garrison commanders lamenting the failure of the civilian population to grow to its projected size and local industries to take root, and deploring the plethora of hostilities and allied services ever-ready to relieve soldiers of their pay.

The town is still a military headquarters, with some charming traditional osterias that serve Friuli's superb local wines and, just off the central square, an "American Bar" with a large tank of disconcertingly well-fed looking piranhas.

**U**NLIKE other star-fortress towns, whose geometrical contours have long since been blurred and obliterated by highway projects and urban sprawl, Palmanova remains contained within its original walls, making a wondrous sight in its now-deserted, grass-covered ramparts, with their uninterrupted views over Friuli's rich agricultural flatlands, a rare and enjoyable experience.

It is encouraging, too, that a number of local and foreign architects have been sufficiently attracted by Palmanova's geometrical and historical mystique, and by the evident potential for imaginative development within its boundaries, to project plans to conserve and revitalize this now rather sleepy backwater — surely the only way that Palmanova's majestic, but now gently crumbling, stellar form can be saved.

## In Photo Bites, Who Owns the Images?

By William Grimes  
*New York Times Service*

**N**EW YORK — The artworks in "The Subject of Rape," an exhibition at the Whitney Museum of American Art, are intended to be disturbing. One untitled work certainly was for Donna Ferrato, because it includes, without crediting the source, four copyrighted images from her book "Living With the Enemy," a photographic essay on battered women and their children. The book was published by Aperture in 1991.

The work at the Whitney, by Eva Rivera Castro, is a collage on canvas with images arranged in horizontal bands. Along the top of the canvas are five identical photocopies of an image of a child pointing his finger angrily at a man who is being led away by the police.

The image is a photograph that originally

appeared as a two-page spread in "Living With the Enemy" and, as described in the book's caption, depicts a boy denouncing his father, who is being arrested after beating the boy's mother.

Three other images on the canvas appear to have been copied in red pencil from three other photographs in "Living With the Enemy." These photographs depict a crying woman, an injured woman with a neck brace who is lying on her back, and a woman lying on her back and cradling a child in one arm.

Ferrato, a photojournalist who has spent the last 12 years photographing battered women and children, said that the work by Castro was "painful to look at."

"That picture is pivotal to my work," she said, "because it shows the rage that children feel in abusive situations. This woman made five Xeroxes and plastered them on canvas."

The line between artistic license and copyright infringement is not always clear-cut. The

visual arts have a long tradition of artists appropriating images and then altering them slightly, or placing them in a new context. In April, however, a federal appeals court in Manhattan upheld a ruling against the artist Jeff Koons for producing ceramic versions of copyrighted postcard images of puppies.

The director of the Whitney, David Ross, said the museum would investigate to determine if a credit to Ferrato should be added to the wall label for Castro's work.

Harris, the Aperture editor, said that in addition to raising questions of copyright, Castro's work also raised troubling ethical questions about the women photographed by Ferrato.

"These women agreed to release their photographs because they knew how the photographs were going to be used," she said. "They didn't know that the images were going to wind up on a piece of art in the Whitney Museum in a show about rape."

## BROADSIDES FROM THE OTHER ORDERS:

### A Book of Bugs

By Sue Hubbell. 276 pages. \$23. Random House.

Reviewed by Noel Perrin

**T**HE number of really good books about insects is small. Jean Henri Fabre, the great 19th-century French entomologist, wrote several about wasps. Thoreau put one fine passage about ants into "Walden." You can't count either Kafka ("Metamorphosis") or Don Marquis ("archy and mehitabel"), because neither was writing about real cockroaches. You can count William Jordan, the contemporary California entomologist. His book "Divorce Among the Gulls" gleams with good writing about genuine cockroaches and real alfalfa bugs.

You can also count Sue Hubbell. She must be one of the two or three best writers-about-bugs now living. She is certainly one of the most various. "BroadSides From the Other Orders" begins with a chapter on butterflies, then daddies on gnats, then ladybugs, then daddy longlegs. Next that tasty treat for trout and menace for human beings, the blackfly. On to that

most literary of bugs (loves books) the silverfish. It ends with camel crickets. Hubbell, once a librarian at Brown University and now a beekeeper in Missouri, made her reputation with two books that focus on bees. Both were drawn from her own experiences: starting a new life as a countrywoman, learning to manage several million honeybees.

"BroadSides" is necessarily less experimental, since the author has never kept millions of silverfish or dragonflies. But it is just as good as the two earlier books. Part of its fascination comes from the thousands of details that Hubbell knows about insects and their lives. I'm not sure which delights me more about katydids, for example, that they have their ears on their front legs — two ears on each leg — or that the males are expected to provide lunch as part of courtship. Along with his sperm, the male offers "a nutritious protein snack."

But it is not in the picturesque details that the book's main interest lies. Hubbell has at least one and usually several stories to tell about each of the 13 species of insects she writes about.

About gypsy moths, for example, she has three stories to tell. The main one is the story of their introduction to the United States in

1868, part of a 200-year attempt to establish a domestic silk industry. The second is the absurd but true story of the Massachusetts Gypsy Moth Commission, which set out in 1890 to exterminate the by-then widespread population of gypsy moths — and which apart from spreading some toxins around, accomplished nothing.

And the third? That takes place in Washington in 1899. Nothing has been learned in a hundred years. The gypsy moth has just arrived in force. Control begins. "They sprayed us a little with DDT, a persistent chemical insecticide only slightly toxic to mammals, but somewhat more dangerous to crustaceans and other invertebrates. They sprayed us a lot with Bacillus thuringiensis, a bacterial insecticide harmless to mammals, but 'tough on a wide variety of butterflies, moths, and some other insects.'"

The results, of course, were much like those achieved by the Massachusetts commission in 1890. Spraying, Hubbell reports, achieved its two usual goals. It invigorated the gypsy moth population by killing off the weaklings and leaving the fast eaters. And it prolonged the years of major infestation by interfering with the natural controls — fungi, viruses, moth-

eating birds. Now, in 1993, the natural controls have taken effect. Gypsy moth caterpillars are present, but in moderate numbers. The trees are safe. The spraying is over. The Dimilin remains.

Bugs outnumber us on this planet. They outweigh us, too. For every pound of human flesh, Hubbell says, there are 300 pounds of bug. You'll find the best 13 ounces or so in this book.

Noel Perrin, the author of "Last Person Rural" and other books about country life, wrote this for The Washington Post.

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## The Subtle Glories of Drawings

International Herald Tribune

**P**ARIS — The pleasure of simple art shows not intended to force some theory down your throat is almost forgotten these days. It gives a refreshing quality to "Le Dessin Français" and its 124 works from the Pierpont Morgan Library hanging at the Louvre in the Cabinet des Dessins until Aug. 30 before returning to New York where the exhibition reopens on Sept. 15. Add the spice of novelty and the pleasure becomes irresistible. Some

SOUREN MELIKIAN

works are discoveries pure and simple. The marvelous landscape in body-color by Jean-Pierre Laurent Houët which the library bought last year from the Galerie Cailleux had never been included in a public exhibition.

Others have been out of sight for so long that few would remember them after two decades or more. Such is the astonishing "Seated Figure of Faith," last seen in the great Ecole de Fontainebleau show of 1972-1973 in Paris and Ottawa. No one is quite sure who did it. Primaticcio, who spent long years in France, is a serious candidate. So is Niccolò dell'Abate. And other names have been put forward.

greater enigma is what the anonymous artist meant to do. He started with the folded leg in drapes and went on with the bust of a woman. She is raising her forehead in the gesture of teaching while the other fingers grasp a scroll, which is unusual. On the closed hand, a chalice is perched, faintly outlined, as some afterthought. Deepening the mystery, the original head was cut out by the artist, to be replaced with the present one. It flashes a smile, with the unseeing eyes of a Roman marble. Beautiful despite its incoherence, this working drawing projects a rare image of the Fontainebleau school, subtle and uncluttered by ornament.

This sums up the impression that comes across more forcefully as one progresses through time. It is as if painting and drawing were distantly connected arts following different aesthetic trends. Nowhere does the Mannerist school of painting in its last gasp offer anything like the briskly allusive sketch by Jacques Bellange. "The Hunter Orion carrying Diana on his Shoulders" dates from the early 1600s. The few surviving pictures by Bellange elaborate affairs with brevity, the serial effect, the puckish touch that are a delight to the modern eye in the pen and wash sketch.

The gap widens further with the



Claude Lorrain's "Heroic Landscape," part of an exhibit at the Louvre.

two towering figures of French painting in the 17th century. Poussin's "Holy Family on the Stairs," now in Cleveland, is a masterpiece for its combination of monumentality and lightness, its sculptural feel in handling light and shadow. All this has little in common with the tenderness of the preparatory sketch in which the features of the faces have been left out. The thrust in the movement, the abrupt contrast of light and shadow gives it a dramatic intensity enhanced by its starkness — there is no painterly handling of surface here.

In the oeuvre of Claude Gellée, or Claude Lorrain as he is now known, the aesthetic abyss between the finished paintings and the drawings is, if anything, deeper. It is not easy to reconcile the contrasting visions of the man who drew outdoors around Tivoli with a freedom and vigor anticipating much of later 19th century art and of the author of the painterly compositions, carefully balanced in shape as in color, complete with classical temples and Greek maidens.

An unforgettable drawing from the Tivoli sketchbook done between 1639 and 1641 is in the show. Hills are nervously outlined in black chalk. Two desolate leafless trees on top of a mound set the tone, harsh and bleak.

Even when he proceeds to sketch elaborate compositions with a full-fledged painting in view, the result on paper belongs to a different aesthetic world. One of the preparatory studies for the "View of Delphi With a Procession," dated 1650, now in Rome, can be seen in the Louvre show. A line of shad-

owy figures in dark brown fades out as it crosses a bridge. Pale trees tower in the distance and the faint outline of a classical structure can be made out, only just, very far away. It all looks like a hazy memory from a dream.

The transformation process which led the artist away from the poetic evocations he conceived for himself in sketchbooks to his formal paintings intended for display is strikingly illustrated in a drawing which is a promised gift to the library from Eugene and Clare Thaw.

**T**HE "Heroic Landscape" was sketched outdoors for the sake of the trees in the foreground. Behind, a plunging perspective is barely indicated. Back in his studio, Claude reworked his study, inserting an elaborate castello, and touching up a tree. The spontaneity of the first artistic impulse is lost. Art is about to give way to iconography.

Not many of the drawings that follow stand up to Claude and Poussin. There are hosts of conventional, pompous works of the 17th and 18th centuries, from Le Brun to Van Loo to Quentin de La Tour, with a few gems strewn about. Fragonard's first thought for "La Récompense" has a touch of Goya-in-a-chirpy mood to it. Hubert Robert's light-hearted sketch of a young woman holding her baby is full of charm and surreal wit — a nondescript mask suggestive of a teddy bear is carved on the entablature of a chimney-piece and beams at the baby.

Great art reappears in the 19th century room. Some of it pays homage to the eye of a great dealer.

Several of the drawings promised to the library by Eugene and Clare Thaw are extraordinary. Prud'hon's "Parc de Malmaison" which draws on the 17th-century heritage with a greater awareness of nature, heralds the Romantic wave. Barye's "Tiger" rolling over her back is set in an imaginary landscape with a quasi-fauvist feel.

The John S. Thacher bequest comes as a punch line. How great Degas could be while still supposed to be an "academic" artist is best revealed in his drawings. His self-portrait in oil paper done around 1856 surpasses the more famous painting of 1855 to be seen in the Musée d'Orsay. It is one of the last masterpieces at the end of a 400-year line of European portraiture that starts in the Quattrocento.

His sketch of a "seated" woman who seems to be half kneeling, three quarters back, is perhaps the most beautiful of all. In a few pencil strokes covered by swiftly applied touches of *peinture à l'essence*, an atmosphere of unspeakable emotion is suggested through posture and light. A deep shadow falls over one side of the averted face, like a veil brought down to conceal her despair.

If Impressionism was about light and the elimination of superfluous detail, this is it. Done around 1868 as a study for "Interior Scene (the Rape)," which can be seen in Philadelphia, the study is as terse as it could be. This puts it in a very different league from the picture where the figure becomes a detail in the setting of a room.

Impressionism was born in drawings before its name was coined.

## Tax Break for U. S. Museums

New York Times Service

**W**ASHINGTON — In large part because a van Gogh portrait of Dr. Gachet is now on the wall of a Japanese collector instead of in the Metropolitan Museum of Art, the United States tax code has been substantially revised to encourage donations of artworks to museums instead of their sale on the market.

Senator Daniel Patrick Moynihan, Democrat of New York, pushed through the change in the law, which President Clinton signed this month as part of the budget package.

Gifts to museums showed a huge drop in donations when a tax break for gifts to museums was deleted from 1987 to 1990, and then a sharp rise when it was temporarily restored during an 18-month window in 1991 and 1992.

In Rochester, the Memorial Art Gallery said that it had received just six gifts in 1990, when the alternative minimum tax was in effect, but 114 gifts during the window. In

the three months after the window closed, it received two gifts.

The Seattle Art Museum reported it had received 300 objects a month in May and June 1992. With the window closed, it received seven last August.

In 1986, when donors could give tax-deductible donations to museums without being put in the alternative minimum tax category, the National Gallery received 1,890 gifts and bequests. When the law changed the next year, the number of gifts fell to 247. During the window, the number jumped to 2,444.

In Rochester, the Memorial Art Gallery said that it had received just six gifts in 1990, when the alternative minimum tax was in effect, but 114 gifts during the window. In

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# NYSE

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12 Month High Low Stock Div Yld PE Ratio

12 Month High	Low	Stock	Div	Yld	PE Ratio
100.00	95.00	IBM	1.50	1.50	15.00
120.00	115.00	Microsoft	0.00	0.00	20.00
150.00	145.00	Apple	0.00	0.00	25.00
200.00	195.00	Oracle	0.00	0.00	30.00
250.00	245.00	Sun	0.00	0.00	35.00
300.00	295.00	Lucent	0.00	0.00	40.00
350.00	345.00	Motorola	0.00	0.00	45.00
400.00	395.00	Intel	0.00	0.00	50.00
450.00	445.00	AMD	0.00	0.00	55.00
500.00	495.00	ATI	0.00	0.00	60.00
550.00	545.00	Nvidia	0.00	0.00	65.00
600.00	595.00	3Com	0.00	0.00	70.00
650.00	645.00	Perceptics	0.00	0.00	75.00
700.00	695.00	Conquest	0.00	0.00	80.00
750.00	745.00	NetScout	0.00	0.00	85.00
800.00	795.00	NetScout	0.00	0.00	90.00
850.00	845.00	NetScout	0.00	0.00	95.00
900.00	895.00	NetScout	0.00	0.00	100.00
950.00	945.00	NetScout	0.00	0.00	105.00
1000.00	995.00	NetScout	0.00	0.00	110.00

Symbol	Price	Change	Volume
IBM	100.00	+0.50	1000000
Microsoft	120.00	+1.00	500000
Apple	150.00	+0.50	300000
Oracle	200.00	+1.00	200000
Sun	250.00	+0.50	150000
Lucent	300.00	+1.00	100000
Motorola	350.00	+0.50	80000
Intel	400.00	+1.00	60000
AMD	450.00	+0.50	40000
ATI	500.00	+1.00	30000
Nvidia	550.00	+0.50	20000
3Com	600.00	+1.00	15000
Perceptics	650.00	+0.50	10000
Conquest	700.00	+1.00	8000
NetScout	750.00	+0.50	6000
NetScout	800.00	+1.00	5000
NetScout	850.00	+0.50	4000
NetScout	900.00	+1.00	3000
NetScout	950.00	+0.50	2000
NetScout	1000.00	+1.00	1500

Symbol	Price	Change	Volume
IBM	100.00	+0.50	1000000
Microsoft	120.00	+1.00	500000
Apple	150.00	+0.50	300000
Oracle	200.00	+1.00	200000
Sun	250.00	+0.50	150000
Lucent	300.00	+1.00	100000
Motorola	350.00	+0.50	80000
Intel	400.00	+1.00	60000
AMD	450.00	+0.50	40000
ATI	500.00	+1.00	30000
Nvidia	550.00	+0.50	20000
3Com	600.00	+1.00	15000
Perceptics	650.00	+0.50	10000
Conquest	700.00	+1.00	8000
NetScout	750.00	+0.50	6000
NetScout	800.00	+1.00	5000
NetScout	850.00	+0.50	4000
NetScout	900.00	+1.00	3000
NetScout	950.00	+0.50	2000
NetScout	1000.00	+1.00	1500

Symbol	Price	Change	Volume
IBM	100.00	+0.50	1000000
Microsoft	120.00	+1.00	500000
Apple	150.00	+0.50	300000
Oracle	200.00	+1.00	200000
Sun	250.00	+0.50	150000
Lucent	300.00	+1.00	100000
Motorola	350.00	+0.50	80000
Intel	400.00	+1.00	60000
AMD	450.00	+0.50	40000
ATI	500.00	+1.00	30000
Nvidia	550.00	+0.50	20000
3Com	600.00	+1.00	15000
Perceptics	650.00	+0.50	10000
Conquest	700.00	+1.00	8000
NetScout	750.00	+0.50	6000
NetScout	800.00	+1.00	5000
NetScout	850.00	+0.50	4000
NetScout	900.00	+1.00	3000
NetScout	950.00	+0.50	2000
NetScout	1000.00	+1.00	1500

Symbol	Price	Change	Volume
IBM	100.00	+0.50	1000000
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Oracle	200.00	+1.00	200000
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Perceptics	650.00	+0.50	10000
Conquest	700.00	+1.00	8000
NetScout	750.00	+0.50	6000
NetScout	800.00	+1.00	5000
NetScout	850.00	+0.50	4000
NetScout	900.00	+1.00	3000
NetScout	950.00	+0.50	2000
NetScout	1000.00	+1.00	1500

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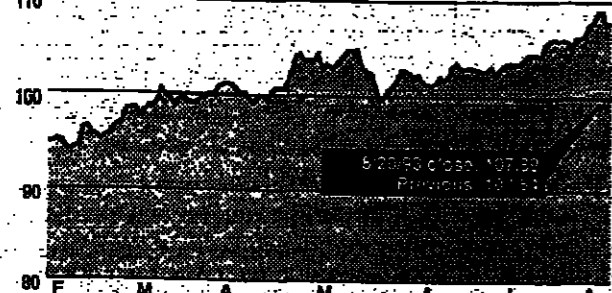
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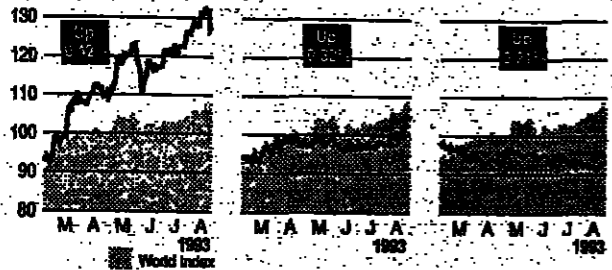
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Region	Approx. Weighting	Index	Change
Asia/Pacific	25%	127.15	+0.24
Europe	47%	104.52	+0.24
N. America	28%	93.44	+0.24



Industrial Sector	Index	Change
Energy	105.17	+0.10
Utilities	114.92	+0.59
Finance	118.80	+0.28
Services	115.52	+0.76
Capital Goods	103.27	+0.75
Auto Materials	107.04	+0.15
Consumer Goods	90.06	+0.30
Manufacturers	108.76	+0.89

For readers desiring more information about the International Herald Tribune World Stock Index, a booklet is available free of charge by writing to Trib Index, 181 Avenue Charles de Gaulle, 92281 Neuilly Cedex, France.

## Wall Street: Running Into Trouble? Amid the Optimism, Many See the Makings of a Fall

By Kurt Eichenwald  
New York Times Service

NEW YORK — So, when's the correction coming?

That question is being asked more and more, particularly since the Dow Jones industrial average burst so easily through the 3,600 barrier this week. After all, as most market participants know, for every wild, bullish rise in the market there is eventually a jarring, bearish decline. The only unknowns are when and how steep.

Many stock market specialists say they expect the market to continue its healthy rise for the near future. But despite that optimism, many Wall Streeters agree that the groundwork for the fall is being laid.

The prospect for trouble, these experts say, comes from the very thing that has given stocks their recent healthy rise: the sharp decline in interest rates and the subsequent search by investors for higher yields.

As that search has grown more desperate, investors — from the individual with a handful of stocks to the most sophisticated institutions — have assumed more risk, leading up to securities that only months ago would not have won a second look.

"There are a lot of people in the last six months who have bought stuff they would not ordinarily buy," said one investment banker with a big investment firm, who spoke on condition of anonymity. "And no one is going to convince me that they have read" the public regulatory filings that disclose risk.

Jay Diamond, publisher of Grant's Interest Rate Observer, added, "There's a lot of yield piggybacking going on out there."

Unlike investing in more euphoric times, this drive toward increased risk is not the result of blind speculation. Rather, with interest rates at their lowest levels in decades, investors can no longer rely on certificates of deposit or other relatively safe investments. Instead, anyone searching for high returns must accept greater risk.

The latest market run-up has inevitably invited comparisons with the run-up five years ago that preceded the October 1987 collapse. But the market is quite different this time and is not experiencing the frothy performance it saw in the mid-'80s. For example, from January 1986 to August 1987, when the market reached its pre-collapse high, the Dow climbed more than 76 percent. But from

January 1992 through Thursday, the Dow grew only 13.8 percent, closing Thursday at 3,612.13.

Moreover, the amount of cash investors have on hand to buy stocks this time around is much greater. In August 1987, mutual funds had enough cash to buy about two days worth of the dollar volume of stock trading, said Philip H. Smyth, an analyst with Birinyi Associates. Today, the funds have about seven days of buying power, meaning that if share prices drop, buyers are ready to swoop in and snap up bargains.

But as investors try aggressively to match the returns they enjoyed with higher interest rates, cash is increasingly moving into riskier offerings in virtually every marketplace.

People seeking high yields have created an almost perverse problem in the bond markets. The high demand for bonds increases the prices. Those higher prices cause lower yields because bond prices and bond yields move in opposite directions. So the dash to take on greater risks to get higher interest is decreasing the rewards of those risks.

That is creating events rarely seen in the bond market. When the Tennessee Valley Authority recently sold two-year non-callable notes, they sold at the same yield as two-year Treasury notes. In other words, investor de-

mand essentially granted the TVA the same credit quality as the federal government.

Investors have been increasing their risk by buying bonds with longer maturities. But with demand so heavy, the return paid for assuming longer maturities has become almost negligible.

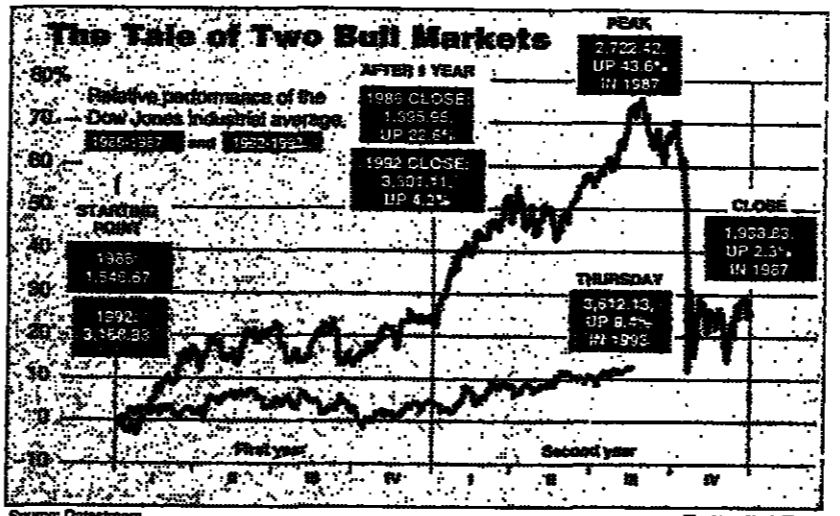
For example, an investor who purchases a 100-year bond issued by Coca-Cola Co. is rewarded with a minuscule yield bonus of 80 basis points, or four-fifths of a percent, above the yield on a 30-year bond issued by the federal government.

That kind of demand is letting debt-loaded corporations, like Rupert Murdoch's News Corp. and Time Warner Inc., come to market without having to pay significantly higher yields for the risk investors are assuming, investment bankers said.

"If issuers find the market is accepting riskier and riskier credits, then more risk will be introduced into the system," said Mr. Diamond of Grant's. "At some point, these marginal credits, which might not have seen market acceptance in earlier, safer times, could come a cropper."

Risk also is getting greater for investors as they concentrate their holdings. According to Charles Biederman, editor of Market Trim

See BULL, Page 10



Source: DataStream, The New York Times

## China to Allow State Firms to Make Decisions

Agence France-Press

BEIJING — Beijing is to grant state enterprises full decision-making powers by the year end, an official newspaper said Friday, announcing a key new step toward making the debt-ridden sector answerable to market forces by 1998.

The central government has "decided to delegate, before the end of this year, all decision-making powers to the enterprises," the China Daily said.

But the paper revealed that there was still resistance to the implementation of year-old regulations aimed at guiding the market transformation. In part because some government bodies were reluctant to surrender their powers.

Enterprises were also taking a passive attitude. "If the economic reforms are to succeed, the focus of the government's efforts must be the reform of the operating mechanism, or management, of state enterprises," the newspaper said.

Yang Chonghui, deputy director general of the State Taxation Administration, said that the liberal tax policy and poor enforcement had cost the state huge amounts in lost revenue. This loss could thwart China's economic progress, the newspaper said.

Local governments have violated the state's tax policy in recent years to encourage foreign investment, the newspaper said.

Mr. Yang said local governments that continued to violate state tax policy would be punished and added that the state would make a special effort to ensure local businesses and joint ventures involving foreign companies paid their taxes.

With Beijing trying to reduce the state's role in the economy, local governments have increasingly struck out on their own to attract foreign investment.

### Tax Crackdown Urged

Tax officials have asked China's central government to enforce a stricter tax policy that would eliminate tax breaks for foreign and domestic investors, according to the China Daily, Bloomberg Business News reported.

Yang Chonghui, deputy director general of the State Taxation Administration, said that the liberal tax policy and poor enforcement had cost the state huge amounts in lost revenue. This loss could thwart China's economic progress, the newspaper said.

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With Beijing trying to reduce the state's role in the economy, local governments have increasingly struck out on their own to attract foreign investment.

## ECONOMIC SCENE

### The Antitrust Watchdogs Go After Trade Restraints

By Peter Passell  
New York Times Service

NEW YORK — Conspiracies to restrain trade are illegal. So when, say, a tractor maker is caught leaning on retailers to keep the price of a new model above \$30,000 or fronting on one dealer who tries to take away business from another, it must be in trouble. Right?

Not necessarily. Economists have never worked up much enthusiasm for untangling "vertical" restraints between producers and distributors, as opposed to "horizontal" restraints among sellers in the same market. And in the Reagan and Bush years, that ambivalence became official policy.

But now Anne Bingaman, the new assistant attorney general for antitrust, has served notice that activism is back. In a recent speech to the American Bar Association, she restated the Justice Department's 1985 live-and-let-live guidelines on vertical restraints, buying a policy that had infuriated liberals in Congress. The big question — one likely to keep antitrust lawyers rolling in BMWs for years to come — is how much bite lies behind Ms. Bingaman's bark.

The century-old antitrust laws are remarkably vague (or, if you prefer, admirably flexible) about what constitutes restraint of trade. Almost everyone agrees that when sellers of competing products gang up on buyers, the result is higher prices and slower innovation. But there is no equivalent received wisdom about restraints along the vertical chain running from producer to consumer.

Robert H. Bork, solicitor general in the Nixon administration, argues that it is absurd to make contractual constraints on retailers illegal since it is perfectly legal for a manufacturer to accomplish the same ends by distributing its own products. Why, for example, should it be a crime for Computer Corporation to insist that independent dealers sell a laptop for at least \$3,000 when Compaq can demand \$3,000 on direct mail-order sales?

Charles Rule, Ms. Bingaman's counterpart in the second Reagan administration, does not go quite this far, but does believe that vertical restraints deserve every benefit of a legal doubt. Free markets are not perfect, he acknowledges, but to second-guess marketing arrangements where there is no apparent conflict between producers and consumers is to imply that government knows better than business.

Manufacturers, he argues, have no interest in enriching dealers at the expense of consumers. Thus if they demand minimum retail prices, they are probably trying to weed out "free riders."

See ANTI-TRUST, Page 12

## CURRENCY & INTEREST RATES

Cross Rates	Aug. 20
Australia	1.09 1.08 1.07 1.06 1.05 1.04 1.03 1.02 1.01 1.00
Canada	1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00
France	1.66 1.66 1.66 1.66 1.66 1.66 1.66 1.66 1.66 1.66
Germany	1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36
Italy	1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36
Japan	148 148 148 148 148 148 148 148 148 148
UK	1.54 1.54 1.54 1.54 1.54 1.54 1.54 1.54 1.54 1.54
Switzerland	1.48 1.48 1.48 1.48 1.48 1.48 1.48 1.48 1.48 1.48
Spain	166 166 166 166 166 166 166 166 166 166
Sweden	1.48 1.48 1.48 1.48 1.48 1.48 1.48 1.48 1.48 1.48
Denmark	1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36
Belgium	1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36
Netherlands	1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36
Portugal	200 200 200 200 200 200 200 200 200 200
Greece	166 166 166 166 166 166 166 166 166 166
South Africa	1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36
South Korea	1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36
India	1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36
China	1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36 1.36
Other Dollar Values	
Caribbean	1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00
Central America	1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00
Asia	1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00
Europe	1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00
Africa	1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00
Latin America	1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00
Other	1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00
Forward Rates	
30-day	1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00
90-day	1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00
180-day	1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00
360-day	1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00

## Cadbury Expands Its Stake in Dr Pepper to 26%

By Richard W. Stevenson  
New York Times Service

LONDON — In a deal that tightens the links between two of the world's largest soft-drink companies, Cadbury Schweppes PLC said Friday it had agreed to purchase Prudential Insurance Co.'s 20.2 percent stake in Dr Pepper/Seven-Up Cos. for \$213.1 million.

The purchase values Dr Pepper/Seven-Up's shares at \$19 each, and brings Cadbury's holding in the company to 25.9 percent of outstanding shares.

Cadbury said it had not ruled out further increasing its stake in Dr Pepper/Seven-Up, which went public earlier this year at \$15 a share. But the British soft-drink and candy company said it had no plans to do so, and

that it was discussing with Dr Pepper/Seven-Up the possibility of an agreement not to buy any more shares.

Dr Pepper/Seven-Up's shares rose sharply on news of the deal, closing at \$19, up \$1.87, in heavy trading on the New York Stock Exchange.

Jim Bell, a spokesman for Dr Pepper/Seven-Up, said the Dallas-based company was "very pleased that Cadbury Schweppes respects us enough to pay \$19 a share." He said the price represented "confidence in our ability to generate good operating profits and good volume increases."

Prudential, which helped finance the management buyout that created Dr Pepper/Seven-Up in 1988, said earlier this month that

it planned to sell its stake. The deal is subject to antitrust approval in the United States.

With a 10.6 percent share of the market last year, Dr Pepper/Seven-Up is the third-largest soft-drink company in the United States after Coca-Cola Co. and PepsiCo Inc. Cadbury, which owns the Schweppes, Canada Dry, Crush, Hires and other beverage brands, said it hoped the deal would lead to more cooperation with Dr Pepper/Seven-Up.

Cadbury already held a 5.7 percent stake in Dr Pepper/Seven-Up. The American company produces most of the soft-drink concentrates for the Cadbury brands in the United States and distributes some of them to restaurants.

"Dr Pepper/Seven-Up is a well-managed, fast-growing business with strong brands," said Dominic Cadbury, the British company's chairman. "We regard this as an excellent opportunity to increase substantially our investment both in this company and in the U.S. soft-drinks industry."

Cadbury already has profited handsomely from its investment in Dr Pepper. It initially invested \$21 million in Dr Pepper in 1986 for a 17 percent stake. Since then, as Dr Pepper merged with Seven-Up, and underwent a management buyout and sold its shares once again to the public, Cadbury has received \$117 million in cash payments while retaining a 5.7 percent stake.

## Commodity Exchange Accepts Nymex Bid

Bloomberg Business News

NEW YORK — The Commodity Exchange of New York said Friday that its board of governors had agreed in principle to accept a \$50 million merger offer from the New York Mercantile Exchange.

If the bid gets final approval, it would mark the end of an eight-month takeover battle that featured four proposals from the Nymex and bids from the Chicago Board of Trade and the Coffee, Sugar & Cocoa Exchange.

Under the agreement, Comex members would get \$50 million. About \$15 million would come from the Comex's cash on hand, and \$35 million would be paid in installments of \$5 million each, plus interest, over the next four years.

The full boards of both exchanges and their members must approve the final agreement.

## Moody's Lowers IBM Ratings

Compiled by Our Staff From Dispatches

NEW YORK — Calculating that IBM's problems will get worse before they get better, Moody's Investors Service lowered ratings Friday on \$28 billion of the computer company's debt and preferred stock.

It was the second time Moody's cut its ratings on International Business Machines Corp.'s debt since March 1992, when it took away the top Aaa grading on long-term debt.

The agency now rates IBM's senior debt A3, down from A1, and its preferred stock was cut to Baa1 from A3. The new senior rating for IBM and several subsidiaries is the bottom of the class considered upper medium grade, while the preferred stock is now at the top of the medium class, the lowest considered to be investment-grade.

Moody's said it changed the ratings because of IBM's profits and ability to service its debt would be under pressure while the company sought to wean itself off the dwindling mainframe sector of the computer industry. "There's increased

business risk, increased operating risk, increased financial risk for IBM," said Craig Fitt, analyst at Moody's. "Debtholder protection measures have weakened," he said.

Standard & Poor's Corp., Moody's chief rival, rates IBM's senior bonds A. The Moody's downgrade therefore cut IBM from slightly higher than the S&P rating to slightly lower.

Friday's move will have the biggest impact on short-term borrowings. For the first time, Moody's cut ratings on the company's short-term debt, lowering it to Prime-2 from Prime-1. That means IBM almost certainly will pay higher rates as it rolls over its \$8 billion in commercial paper as it comes due in the next few months.

Money-market mutual funds, key investors in the market for the short-term unsecured instruments, are not allowed to buy much commercial paper rated below Prime-1 or its equivalent at other ratings agencies.

Standard & Poor's still gives IBM's paper its A-1 rating, which is

comparable to Prime-1, but bidders for the company's outstanding obligations due in one month were said to be asking for a 3.25 percent annual yield after the downgrading, up from about 3.15 percent before.

David Harrah, an IBM spokesman, said the company did not expect the downgrade to freeze it out of the commercial paper market. "We understand that it will increase our borrowing costs, but we feel we can operate with the ratings where they are."

IBM bonds edged lower. A 7.25 percent issue due in 2002, for example, fell to 106.40 from 106.43, raising its yield to 6.32 percent from 6.31. IBM stock was unchanged at \$43.

The company has taken more than \$28 billion in restructuring charges in the last six years.

"You've got to like IBM to turn around," said John B. Jones Jr., Salomon Brothers Inc.'s computer analyst. He said IBM's sales of personal computers, workstations, software, minicomputers and contract services account for about 60 percent of its revenue and should grow about 9 percent this year. But he added that the remainder, which includes mainframes, continues to shrivel and lose money. (Bloomberg, Reuters)

## Sabena Pay Deal Reached

Compiled by Our Staff From Dispatches

BRUSSELS — Three unions representing workers for Sabena, the Belgian national carrier, accepted Friday an austerity plan that includes wage cuts of up to 17 percent, and Chairman Pierre Godfried said he would stay on the job.

The austerity package proposed by Mr. Godfried aims to keep Sabena in business by saving 5.5 billion francs (\$155 million) over three years.

Sabena's three most important unions agreed in principle to the plan, reversing the rejection by the carrier's 10,000-member work force in an Aug. 4 referendum.

Not taking part in any negotiations, however, are Sabena's 470 pilots. Their spokesman said Friday that if the austerity plan were adopted, the pilots would take work-to-rule or strike measures.

Mr. Godfried had offered to step down after the referendum, but the board held his resignation in abeyance for two weeks to allow for more talks with three principal unions.

Sabena's losses this year are expected to amount to almost 6 billion francs.

In addition to 1.1 billion francs in wage cuts, Mr. Godfried will seek 900 million francs in savings through lower social-security charges.

The Sabena ombudsman, Patrick Dubois, said that the second phase of the restructuring plan would focus on the operational side and on improving productivity.

Air France has a 37.5 percent stake in the ailing Belgian airline. (AP, Reuters)

## Rexrodt Claims Progress In Quieting VW-GM Feud

Reuters

BERLIN — Economics Minister Ginter Rexrodt said Friday he thought he could get Volkswagen AG and General Motors Corp. to mute their war of words over charges of industrial espionage.

Mr. Rexrodt met with Ferdinand Pich, chairman of the VW management, and with Klaus Liesen, the supervisory board chairman, on Friday. That followed a similar meeting on Tuesday with the chairman of GM's German subsidiary Adam Opel AG.

After the Friday talks, Mr. Rexrodt said he would meet the heads of the automakers again next week. "It was a conversation that encourages me," Mr. Rexrodt said. "Talks with both sides will be continued. I could imagine an agreement can be reached in which the issues will be discussed with a different language and in a less public way."

The German government has been trying to get the automakers to

lower the profile of their dispute. It began when José Ignacio López de Arriortua left his job as GM's production chief in March, taking a similar position with Volkswagen.

## CALL FOR LESS

Tired of being charged two or three times US rates for international calls?  
Sick of hotels that add 50% or more to every phone call?  
Fed up with telephone credit cards that add two or three dollars to every call?  
Shocked to check out of a hotel and find your phone bill larger than your hotel bill?

KALLBACK beats the high cost of making calls from hotels and from abroad. Save over 50%!

With KALLBACK all you do is dial an assigned number, let it ring once and hang up. Our computer calls you right back, asks for you by name and connects you to a U.S. dial tone giving you the world's highest quality digital fiber optic service at the world's lowest prices.

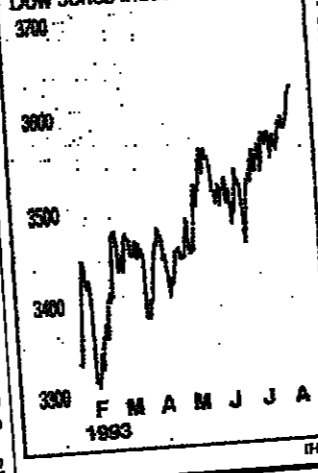
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MARKET DIARY

BULL: Is Market Headed for Fall?

Continued from Page 9
Bulls, a market newsletter published in Santa Rosa, Calif., the money being poured into stock mutual funds is no longer coming just from traditional savings. Rather, investors searching for yield are...

The Dow



Dow Jones Averages

Table with columns: Index, Open, High, Low, Close, Change. Includes Dow Jones Industrial Average, Standard & Poor's 500, NYSE Composite, and NASDAQ Composite.

EUROPEAN FUTURES

Table listing various European futures contracts including Food, Metals, and Energy, with columns for Class, High, Low, Prev., and Close.

GERMAN GOVERNMENT BOND (LIPPER)

Table showing German government bond yields for various maturities, including 3-month, 6-month, 1-year, 2-year, 3-year, 4-year, 5-year, and 10-year.

Industrials

Table listing various industrial stock indices and their performance, including S&P 500, NYSE, and NASDAQ.

Stock Indexes

Table listing various stock market indices such as FTSE 100, Nikkei 225, and Hang Seng, along with their respective values and changes.

N.Y. Stocks

taking money out of insurance and other investments to reallocate more cash into the stock funds. With so much cash available, companies that earlier might not have come to market as easily selling securities...

Dow Edges Higher

U.S. stocks closed mixed as a late burst of computer-driven buy orders led to the expiration of August option and futures contracts offset a slide among automobile, beverage, drug and health-care is-

NYSE Most Actives

Table listing the most active stocks on the NYSE, including volume, high, low, and last price.

AMEX Stock Index

Table showing the AMEX stock index performance, including high, low, close, and change.

Market Sales

Table detailing market sales for various sectors like NYSE, AMEX, and NASDAQ, including volume and value.

Dividends

Table listing dividend-paying stocks, including company name, dividend amount, and ex-dividend date.

Financial

Table listing financial futures contracts such as Treasury bills, Treasury notes, and Treasury bonds.

Spot Commodities

Table listing spot commodity prices for various goods like wheat, corn, soybeans, and oil.

YEN: In U.S. Action, Nod to Tokyo

Continued from Page 1
fears of a sharp fall in the dollar, which had begun weakening against the Deutsche mark following Thursday's bigger-than-expected U.S. June trade deficit. The timing for intervention was also...

Foreign Exchange

perfect, coming just as the trade figures led many currency traders to sell the dollar short. The dollar closed at 104.45 yen in Tokyo on Friday, up from 101.35 Thursday. It ended at 104.20 in New York trading.

NYSE Diary

Table listing daily market activity on the NYSE, including volume, high, low, and last price for various indices.

AMEX Diary

Table listing daily market activity on the AMEX, including volume, high, low, and last price for various indices.

NASDAQ Diary

Table listing daily market activity on the NASDAQ, including volume, high, low, and last price for various indices.

S&P 100 Index Options

Table listing S&P 100 index options contracts, including call and put options for various strike prices.

U.S. FUTURES

Table listing various U.S. futures contracts including grains, oil, and metals.

Grains

Table listing grain futures contracts such as wheat, corn, and soybeans.

WORLD STOCK MARKETS

Large table providing a comprehensive overview of world stock markets across various regions including Amsterdam, Brussels, Frankfurt, London, Madrid, Milan, Montreal, Paris, Sao Paulo, Singapore, Stockholm, Sydney, Tokyo, Toronto, Zurich, and Johannesburg. Each region's data includes major indices, high/low/close prices, and percentage changes.

Ameritech to Shed More Managers

CHICAGO (AP) — Ameritech said Friday it would eliminate the jobs of 7 percent of its management employees by the end of the year as part of its restructuring of the regional telephone company.

Ipalco Warns PSI on Board Election

INDIANAPOLIS (Bloomberg) — Ipalco Enterprises Inc.'s management said Friday it would recommend that the utility cancel its \$1.73 billion bid to buy PSI Resources Inc. if PSI shareholders fail to elect its nominees to the PSI board.

Thrift Figure Released From Prison

LONDON (AP) — Marvin Warner, 74, former owner of Home State Savings Bank, has been released from prison after serving two and a half years for his part in the bank's 1985 collapse.

Dart Chief Sells Majority Stake to Son

WASHINGTON (Reuters) — The chairman of Dart Group, Herbert Haft, has sold his majority stake to his son Ronald, the company said on Friday in filing with the Securities and Exchange Commission.

Heinz Sells Rice Unit to Quaker Oats

CHICAGO (Combined Dispatches) — Golden Grain Co., a subsidiary of Quaker Oats Co., has acquired the Near East rice business of H.I. Heinz Co. for an undisclosed amount, the companies announced Friday.

For the Record

General Electric Co.'s jet-engine division said it would eliminate 4,000 jobs, on top of previously announced cutbacks, because of reduced orders; unions sources had said earlier 2,000 jobs might be lost.

Competition Seen for 3DO

SAN FRANCISCO — Nintendo Co. and Silicon Graphics Inc. were said Friday to be planning a high-end video-game machine that would compete with the system planned by 3DO Co.

U.S. Bills (Mill)

Table listing U.S. Treasury bills for various maturities, including 3-month, 6-month, 1-year, 2-year, 3-year, 4-year, 5-year, and 10-year.

U.S. Treasury Notes (Mill)

Table listing U.S. Treasury notes for various maturities, including 1-year, 2-year, 3-year, 4-year, 5-year, and 10-year.

U.S. Treasury Bonds (Mill)

Table listing U.S. Treasury bonds for various maturities, including 10-year, 20-year, and 30-year.

U.S. Treasury Inflation-Protected Securities (Mill)

Table listing U.S. Treasury Inflation-Protected Securities for various maturities, including 5-year and 10-year.

U.S. Treasury Floating Rate Notes (Mill)

Table listing U.S. Treasury Floating Rate Notes for various maturities, including 3-month, 6-month, and 1-year.

German Ex...

NASDAQ

# In German East, the Future Calls

## Updating Phones Typifies Infrastructure Problems

By Rick Atkinson

BRUNNEN, a single-story brick building in the eastern German town of Brunnen, is a relic of the country's past from Eastern Germany.

The fourth floor of the building is a maze of old telephone switches, built in the 1950s with 1920s technology, still process calls to and from 47,000 phones in the surrounding neighborhood of Pankow. Lights blink, switches click, the sound of moving parts fills the way and that, giving the room a slightly eerie, Goldberghian ambience.

But on the third floor just below, it is possible to see why Eastern Germany may soon have the most modern telephone system in Europe. The room is quite empty, a pleasant view. New fiber-optic cables run across the floor, with new main frames and junction boxes. Four packing crates are labeled "Siemens Digital Electronic Switching System" — await opening and installation. Each of the computerized systems will handle 1,000 calls simultaneously.

"The problem now," said Detlef Wollgramm, technical supervisor at Station No. 48, is to integrate the old with the new. The same holds true throughout what was once communist East Germany. Switching Station No. 48 is the German east in microcosm, an emblem of the problems and opportunities of trying to rebuild a country that in many ways remains 30 years out of date even though nearly three years of German unification.

The infrastructure demands are staggering, notwithstanding the \$100 billion Western spending annually in the five eastern states for investment and social services. Three-quarters of the east's highway system was built before 1950; half its coal-fired power plants need refurbishing; most canals are too narrow and shallow for modern Europe.

in larger, and a majority of locks are at least 50 years old, retrofits and bridges need the same renovation. In the case of Brunnen, the telephone system, however, has received priority attention. "An efficient telecommunications system," a federal trade minister noted once, "is a key to East Germany's economic recovery." Telekom, the national phone monopoly, is Eastern Germany's largest investor, with nearly 30 billion Deutsche marks (\$14 billion) spent thus far and a comparable amount earmarked over the next four years.

Despite carping about slow progress and high cost, there are clear signs of success. A telecommunications system, a federal trade minister noted once, "is a key to East Germany's economic recovery." Telekom, the national phone monopoly, is Eastern Germany's largest investor, with nearly 30 billion Deutsche marks (\$14 billion) spent thus far and a comparable amount earmarked over the next four years.

Two-thirds of all phone wires in the east were pre-World War II vintage. Given the isolationist desire to control mass communications and the absence of serious consumer pressure, the old eastern phone company had little incentive to modernize. Customers waited anywhere from 10 to 17 years for a telephone. Even those lucky enough to have a phone sometimes needed hours if not days to put a call through.

Divided Berlin had special problems. All lines between the two halves of the city were severed in 1952. This "telephone wall" — coming nearly a decade before the concrete Wall — remained until 1971, when 10 operator-controlled lines were restored. Even in 1989, there were only 72 "international" lines on which easters could call West Germany.

As the ripped-up streets and countless construction sites in the east suggest, much has happened since reunification. An electronic "overlay" network in 1991 instantly quadrupled the number of lines between Eastern and Western Germany to 34,000. The confusion created by 150,000 identical phone numbers in the two halves of Berlin was resolved last year, and 3,000 miles of new fiber-optic cable was laid.

All 39 exchanges in Brandenburg, including the museum piece in Caputh, will be digitized by the end of this year. Telekom is building a mobile-phone network capable of serving 300,000 subscribers by 1997.

The reconstruction is far from complete, and the system is far from perfect. Calls to small towns in the east can still take hours to put through. Some 170,000 people are still waiting for phones in eastern Berlin and another 350,000 in the southeastern state of Saxony. All told, the number of unfilled applications is 1.2 million.

# Switzerland Sets Spending Cuts To Trim Deficit

Compiled by Our Staff From Dispatches

The government wants to reduce VAT to bring Swiss taxation into line with European Community norms but voters have already rejected it three times.

BERN — Switzerland announced Friday to slash its growing budget deficit, saying it would propose widespread measures to curb a sharp rise in federal spending.

The government cited the influence of the European recession, such as rising unemployment payments and sharply lower revenue. "Including expected deficits from cantons and communes, the state budget deficit could rise to over 3 percent of gross domestic product by next year," the ruling Federal Council said. "Switzerland is thus in danger of losing its reputation as an island of stability in public finances."

The government said proposed measures, which would entail reduced spending in all departments, could trim 1.4 billion francs (\$948.2 million) a year from the deficit until 1996 and 1.8 billion francs a year thereafter.

The cuts would hit defense hardest, with 800 million francs of proposed spending reductions from 1994 to 1997. Expenditure on transport would also be sharply reduced.

Other areas targeted include foreign aid and information. To boost income, the government is supporting introduction of a 6.5 percent value-added tax. The Swiss electorate will vote later this year on whether to use the VAT to replace the current primary tax source, a 6.2 percent sales tax.

Even if both the proposed savings and the 6.5 percent VAT are approved, federal finances will remain heavily in deficit until 1997 and probably beyond, despite far from pessimistic forecasts over the future economy," the government said.

The Finance Ministry said earlier this month that Swiss public finances had worsened dramatically. It said the 1993 budget deficit could top 6 billion francs, or about double the 3.1 billion francs originally budgeted. Last year, the gap grew to a record 2.9 billion francs from 2 billion in 1991.

The Federal Council, a seven-member executive body, will put its proposals to the Federal Assembly, the legislature, in late September. The measures would take effect next year. If they are accepted, the deficit could be kept down to 5.4 billion francs by 1997. Otherwise, shortfalls of up to 8.5 billion francs are possible.

Swiss financial markets showed little reaction to the proposals. Bond prices were unchanged to slightly higher, even though the government plans increased borrowings. Stocks fell, with the Swiss Bank Corp. index falling 3.5 points, to 848.50. (Reuters, APX)

Investor's Europe					
Frankfurt DAX	London FTSE 100 Index	Paris CAC 40			
200	3000	2200			
100	2000	1000			
0	1000	0			
1990	1990	1990			
Exchange	Index	Friday Close	Prev. Close	% Change	
Amsterdam	CBS Trend	127.90	128.50	-0.47	
Brussels	Stock Index	6,882.58	6,849.94	-0.48	
Frankfurt	DAX	1,922.68	1,938.98	-0.84	
Frankfurt	FAZ	743.64	746.06	-0.32	
Helsinki	HEX	1,464.20	1,482.90	-1.22	
London	Financial Times 30	2,394.10	2,394.50	-0.43	
London	FTSE 100	3,057.60	3,065.50	-0.26	
Madrid	General Index	290.98	290.39	+0.19	
Milan	MB	1,350.00	1,359.00	-0.66	
Paris	CAC 40	2,128.20	2,139.20	-0.51	
Stockholm	Affarsveeriden	1,528.04	1,555.63	-1.90	
Vienna	Stock Index	N.A.	432.47		
Zurich	SBS	849.00	850.00	-0.85	

Sources: Reuters, APX  
International Herald Tribune

### Very briefly:

- Volkswagen AG said it would cut 3,000 more jobs than originally planned at the parent by the end of 1994, bringing total job losses to some 15,500. The cuts will come through early-retirement programs.
- West German industrial production prices rose 0.1 percent in July from June, but fell 0.2 percent from a year earlier. The Bundesbank, meanwhile, said gross monetary reserves were practically unchanged at 158.1 billion Deutsche marks (\$93 billion) in the second week of August.
- INSEE revised downward figures for French economic activity during the first quarter. It said GDP declined 0.7 percent in real terms from the fourth quarter of 1992, versus an initial estimate of a 0.5 percent decline.
- Swedish unemployment continued to increase, hitting 9.6 percent in July, up from 5.8 percent a year earlier and from 9 percent in June.
- Saab-Scania AB, a subsidiary of Investor AB, said its profit in 1993 would be substantially lower than in 1992, when net totaled 716 million kronor (\$89.5 million).
- Winterthur, the Swiss insurer, has bought a block of 349,300 shares in Banque Bruxelles Lambert, increasing its stake in the Belgian concern to 7 percent, a market source said. (APX, APX, Reuters, Knight-Ridder)

### Tunnel Dispute in Arbitration

PARIS — Eurotunnel SA, the English Channel tunnel operator, said Friday that it had filed a request for arbitration of its dispute with the French national railway system, known as SNCF, and British Rail over rail use in the future tunnel. British Rail said Eurotunnel had "fabricated" the dispute. The existing agreement on rail use in the tunnel provides that half of the tunnel capacity should be made available to railroad companies on the basis of fees linked with traffic volume and allowing for operating costs. It also lays down the railroad companies' obligations with respect to the capacity of connections to the tunnel via their networks. But Eurotunnel thinks the existing agreement can no longer maintain a balance in the respective advantages anticipated by the parties when it was signed.

# ERM Turmoil Boosts Belgian Derivatives Market

BLOOMBERG BUSINESS NEWS

BRUSSELS — After three years of slow, messy hatching, Belgium's futures and options exchange is finally spending its wings.

Belgium had been the odd country out in European derivatives trading. Its market was small, and local investors did not want to get involved with mutual instruments. Now, however, the baby Belgian exchange, called Belfox, says daily trading in Belgian options will grow to \$50 million, by the end of next year. The value of daily trade in government bond futures is expected to grow to \$2 billion from \$165 million currently.

Belfox is one of several beneficiaries of the recent turmoil in European currency markets, a summer storm that has followed on the near-collapse of the European Monetary

System's exchange-rate mechanism. Investors wanting to guard against swings in currency rates are beginning to turn to the kind of products offered by derivatives exchanges.

The Belgian exchange does not have the potential to grow to the size of the London, Paris, Frankfurt or Amsterdam derivatives markets. But it is following several of these markets by moving into electronic trading and expanding into derivatives trading through Europe. "Even without these alliances, Belfox is acquiring interest among Europe's large financial firms, investors say, because of growing trade in the Belgian securities markets."

Prices of Belgian stocks have risen 20 percent since the beginning of the year. Meanwhile, the Belgian debt market is growing thanks to the government's penchant for

spending. Belgian debt stands at 8.9 billion francs (\$249.82 billion), or 125 percent of gross domestic product. A year ago, it was 8.1 billion francs.

Instability has accompanied growth in securities trading. Fluctuations in the central bank's lending rates and swinging currency values have tossed the yield on the benchmark 9 percent government bond due in 2003 between 7.0 percent and 7.92 percent over the last six months. Under the circumstances, risk-hedging derivatives look appealing.

In the battle for a slice of the European derivatives market, Belfox believes its ATS/2 screen-trading system will help it compete. The system currently only quotes trade on Belfox, but an exchange spokesman said expansion plans, including affiliations with other

exchanges, are on the drawing board. For now, traders and analysts say that Belfox needs to implement several other changes to make trading on the exchange easier. Among other things, it must remove its system of fixed-rate commissions and introduce new financial products.

Joe Schmitz, general manager of Belfox, conceded it had obstacles to overcome before it achieved the credibility possessed by Europe's established derivatives exchanges. But he said Belfox, and Belgian financial markets in general, had already come a long way.

Three-and-a-half years ago, Belgium had no derivatives market. The government bond market was illiquid. There was no secondary market to trade government bonds, which were issued on an irregular basis.

### Turkey Unveils Export Plan

ISTANBUL — Turkey, relying increasingly on exports for economic growth, unveiled a package of measures on Friday to keep it on course for a 1993 export target of \$17 billion.

The \$600 million package, designed to make up an anticipated \$1 billion shortfall, includes loans, cut-price energy and raw cotton, and extra flights to Western Europe to get around closed road links in former Yugoslavia. "Exports will be the locomotive of our economy," said Turkish Treasury chief, Osman Unsal.

# NASDAQ

NASDAQ prices on the New York Stock Exchange. This list compiled by the APX, covers the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Symbol	High	Low	Stock	Div	Yld	PE	High	Low	Latest	Chg
IBM	115.25	114.75	115	3.00	2.6	44	115.25	114.75	115	+0.25
MSFT	34.50	34.25	34.5	0.50	1.4	24	34.50	34.25	34.5	+0.25
GE	28.75	28.50	28.75	0.75	2.6	11	28.75	28.50	28.75	+0.25
DIS	25.50	25.25	25.5	0.50	1.9	13	25.50	25.25	25.5	+0.25
AMZN	18.75	18.50	18.75	0.25	1.3	14	18.75	18.50	18.75	+0.25
GOOG	15.25	15.00	15.25	0.25	1.6	9	15.25	15.00	15.25	+0.25
ORCL	12.75	12.50	12.75	0.25	1.9	7	12.75	12.50	12.75	+0.25
INTC	10.25	10.00	10.25	0.25	2.4	4	10.25	10.00	10.25	+0.25
QCOM	8.75	8.50	8.75	0.25	2.8	3	8.75	8.50	8.75	+0.25
TXN	7.25	7.00	7.25	0.25	3.4	2	7.25	7.00	7.25	+0.25
WDC	6.75	6.50	6.75	0.25	3.8	2	6.75	6.50	6.75	+0.25
HPQ	5.25	5.00	5.25	0.25	4.8	1	5.25	5.00	5.25	+0.25
CRM	4.75	4.50	4.75	0.25	5.4	1	4.75	4.50	4.75	+0.25
PLT	3.75	3.50	3.75	0.25	6.4	1	3.75	3.50	3.75	+0.25
ADSK	2.75	2.50	2.75	0.25	7.4	1	2.75	2.50	2.75	+0.25
INTL	1.75	1.50	1.75	0.25	8.4	1	1.75	1.50	1.75	+0.25
AMET	0.75	0.50	0.75	0.25	13.4	1	0.75	0.50	0.75	+0.25

السبب من الاصل

NYSE Friday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, 1993 High, Low, Last, Change, % Change. Lists various stocks and their performance.

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, 1993 High, Low, Last, Change, % Change. Lists various stocks and their performance.

ANTITRUST: The U.S. Watchdogs Go After 'Vertical' Trade Restraints

Continued from Page 9

discourters who leave the costly tasks of demonstrating and servicing products to high-price dealers.

The Supreme Court, says Lawrence White of New York University's Stern School of Business, has ruled that overt resale price maintenance for any reason violates the Sherman Antitrust Act.

But the Justice Department may still decide which vertical price-fixing arrangements to challenge, and there is no comparably clear legal doctrine about which nonprice arrangements are illegal.

restraint cases to the Federal Trade Commission and the states.

But conservatives may not have the last intellectual word on the subject. Until the 1980s, points out Robert Pitofsky, a former commissioner of the FTC who now teaches law at Georgetown University, it was generally assumed that vertical restraints were forced on manufacturers by dealers—not the other way around.

Department stores selling a heavily advertised brand of cosmetics might, for example, insist that interlopers be prevented from selling at a discount.

A more radical view (if not policy prescription) comes from F.M. Scherer at Harvard's Kennedy School of Government. America's product-distribution system is the wonder of the world, he points out, and a vivid contrast to the inefficient system in Japan. If vertical restraints are benign, he asks, why does the most efficient system have so few of them and the least efficient so many?

The fact that Ms. Bingham, formerly an antitrust lawyer in private practice, looks less kindly on vertical restraints than her recent predecessors does not guarantee that big policy changes are in the works.

INTERNATIONAL FUNDS

Questions supplied by funds listed. Not all fund questions are supplied by the funds listed with the exception of some open-ended funds.

Large table listing various international funds with columns for fund name, currency, and other details. Includes sections for International Income Fund, International Equity Fund, and International Bond Fund.

For information on how to list your fund, fax: Simon OSBORN at (33-1) 46 37 21 33.

Advertisement for 'The Yen Tak' featuring a car and the text 'The Yen Tak' and 'The Rest of A'.

# The Yen Takes a Bite Out of Japan

## Toyota, Nissan and Pioneer Bring the Gloomy News

**Compiled by Our Staff From Dispatches**  
**TOKYO**—The soaring value of the yen began to show its bottom-line effects on Japan's business Friday as Toyota Motor Corp., Nissan Motor Co. and Pioneer Electronic Corp. all weighed in with negative financial reports.

Toyota, the largest carmaker in Japan, and Nissan, the No. 2, said that vehicle production, sales and exports had all dropped sharply in July as the yen appreciated against the U.S. dollar, and the Japanese economy continued to slump.

Toyota said its domestic production fell 15.2 percent last month from a year earlier, to 322,528 vehicles. Of that, passenger-car production fell 14.9 percent to 262,685.

The automaker said it had sold 203,030 vehicles in Japan during the month, down 10.6 percent; this included 142,727 passenger cars, down 11.3 percent.

Exports for Toyota fell 12.6 percent in July

to 129,228, while overseas production during the month rose 10.1 percent to 72,167. A decline in exports to Europe outweighed a gain in exports to Asia, the company said.

Separately, Nissan said its exports plunged 33.4 percent in July from a year earlier, to 36,411. It was Nissan's 12th straight month of year-on-year decline.

Nissan said it had produced 169,489 vehicles in July, a drop of 11.3 percent. Passenger cars numbered 140,629, down 9.8 percent. Domestic sales of Nissan vehicles fell 7.9 percent to 120,102, including 89,249 passenger cars, down 10.4 percent.

The Japan Automobile Manufacturers Association reported that Japan's vehicle sales dropped 10 percent in July from a year earlier. Domestic automobile sales have been falling since September 1990 as the Japanese economy has slowed.

Both Toyota and Nissan announced that they would likely cut shipments to China in the

second half as the stronger yen dampened demand there. Nissan said its exports would likely drop 66 percent from the similar period a year earlier, to 7,000 units. Toyota, which exported 35,000 units to China in the first half, declined to specify figures for the second half.

Meanwhile, Pioneer Electronic blamed the higher yen and low consumer spending for a 59.2 percent drop in consolidated pretax profit in the three months that ended June 30.

Pretax earnings at the audio-equipment maker amounted to 4.03 billion yen (\$39.8 million) for the period. It global sales dropped 13.8 percent, to 125 billion yen.

Despite the rising yen, however, Pioneer said sales of laser disks and audio equipment for cars rose in Asia and Latin America.

But adding that "the outlook for the world economy is unclear," the company said it planned to cut capital investment and shift more production abroad to counter the adverse impact of the yen's appreciation and increased competition. (AP, AFP, Bloomberg)

# Taiwan Holds Out Hope for Settling Dispute With BAe

**Compiled by Our Staff From Dispatches**  
**TAIPEI**—The Taiwan government said Friday it still hoped that a venture with British Aerospace PLC would go through, and sources said the BAe chairman would go to Taiwan this coming week for talks on the deal.

However, Economic Affairs Minister Chiang Pin-kung stressed that the fate of the venture depended on the ability of a Taiwan banking consortium to agree on financing.

Still, he conceded that Taiwan would be hard-pressed to find another foreign partner to develop its fledgling aerospace industry if the \$375 million venture fell through.

"On the government's side, we hope to push through the deal," he said. "But agreement on conditions must be reached first."

Sources close to the deal said the BAe chairman, John Cahill, was expected to arrive in Taiwan over the next few days to hold talks with the banking consortium.

Vice Economics Minister Yang Shih-chien has said he would not rule out the possibility of the ven-

ture being canceled if agreement could not be reached on the difficult issue of collateral for Taiwan financing of the deal.

Taiwan Aerospace Corp., 29 percent owned by the government, and BAe signed an agreement in January to form a 50-50 venture to produce passenger jets that would be assembled in Taiwan and Britain.

After months of delay, Taiwan's state-owned Chiao Tung Bank agreed last month to form a consortium that would lend up to \$460 million to the venture. But Mr. Yang said Thursday that the venture was threatened by a failure to agree on the issue of collateral.

A source close to the talks said it was "too early to write this deal off" and added that problems with collateral were linked to the differing legal systems in Britain and Taiwan.

In London, a BAe spokesman, Ian Woodward, said: "If we don't conclude our negotiations and are not successful in the negotiations, the deal is off. We would prefer to look at it optimistically."

(Reuters, AP)

### Investor's Asia

Exchange	Index	Friday Close	Prev. Close	% Change
Hong Kong	Hang Seng	7,545.36	7,605.26	-0.79
Singapore	Straits Times	1,972.27	1,948.78	+1.21
Sydney	All Ordinaries	1,927.10	1,926.50	+0.04
Tokyo	Nikkei 225	20,607.28	20,887.47	-0.39
Kuala Lumpur	Composite	905.51	798.82	+0.84
Bangkok	SET	958.88	955.85	+0.35
Seoul	Composite Stock	729.96	737.97	-1.10
Taipei	Weighted Price	4,045.61	4,083.41	-1.17
Manila	Composite	1,760.84	1,760.88	-0.00
Jakarta	Stock Index	387.91	384.82	+0.80
New Zealand	NZSE-40	2,018.68	2,019.18	-0.03
Bombay	National Index	1,290.69	1,285.40	+1.98

Sources: Reuters, AFP  
International Herald Tribune

# For the Rest of Asia, Inflation Is Knocking

**TOKYO**—Asia faces a dose of inflation as prices of Japanese cars and other imports rise due to the soaring yen, analysts said Friday.

At the same time, however, Asian goods will be cheaper for Japanese consumers and more likely to penetrate the Japanese market.

The yen shot up to its highest level since World War II this past week, almost breaching a level of 100 yen to the dollar.

In Kuala Lumpur, the deputy governor of the central bank, Lin See Yan, said Malaysians should try to buy non-Japanese products to offset the impact of the strong yen. "People must substitute if Japanese goods are expensive," he said.

But economists said Malaysian consumers would not easily switch to other brands because Japanese products, from electronics to cars, had a firm grip on the local market.

In the Philippines, Japanese joint ventures with carmakers were hit hard by the rising yen and have asked the government to approve more price increases on vehicles.

Henry Moran, president of the Automotive Manufacturers Institute in the Philippines, said production costs had risen over the past months because of the strong yen. Then when the dollar was at 109 yen, a 9 percent to 10 percent price increase was needed for carmakers to break even, Mr. Moran added.

In Sri Lanka, a spokesman for Associated Motorways Ltd., local agent for Nissan vehicles, said sales had fallen by about 30 percent in the past few months.

"Cars have gone up in some cases by 75 percent in the past year and spares are also costly," he said. "Due to the high cost of vehicles, the corporate sector is also reviewing plans it would have had to purchase vehicles."

Exports in Pakistan that rely on Japanese machinery and spare parts also are feeling the pinch as prices go up.

Hong Kong also will likely suffer higher inflation as the strong yen pushes up prices of Japanese electronic goods and raw materials, local economists said.

Benjamin Chan, economist with Bank of

East Asia, said, "We can expect that our trade deficit with Japan will not improve too much and import inflation will increase."

Taiwan and South Korea also will suffer, experts say.

Joseph Chen, deputy secretary-general of the Chinese National Federation of Industries, a business association, said, "Taiwan's heavy reliance on Japanese parts and some consumer products is not going to fall in the foreseeable future, so the surge in the yen will definitely hurt our importers."

On the positive side, the soaring yen is expected to boost Japanese tourism to Asia and exports to Japan.

Australia, a prime destination for Japanese tourists, expects a fresh wave of yen-rich tourists to shop in Sydney and visit Australian resorts, tourism officials said.

"It makes tourism in Australia even cheaper than it was before," said Godfrey Santer, manager of corporate planning services at the Australian Tourism Commission. "It certainly will be an extra incentive."

# Foreigners Pile In for BHP

**MELBOURNE**—Foreign investors drove shares in Australia's biggest company, Broken Hill Pty., to a record high on Friday of 15.40 dollars (\$10.40) as its bright prospects continued to draw international interest.

Since the beginning of July, the company's share price has risen about 6 percent. It has surged more than 50 percent since the October 1987 stock market collapse.

Analysts said that despite BHP's

solid long-term performance, the blues of Australia's blue chips had been left behind in the rush for equities in the last two months.

In the year to May, BHP reported net profit of 1.194 billion dollars, or 72 cents a share, and paid dividends totaling 40.5 cents a share.

Dealers said BHP's prospects for growth in the 1990s and the next century made it attractive to foreign investors. The company is viewed as having top-quality assets in steel-making, minerals and petroleum.

# EUROPE: Speculators Aid Exporters by Selling Their Currencies for Yen

**Continued from Page 1**  
of the yen. In the United States, the long slide of the dollar against the Japanese currency has raised the price of cars made in Japan an average \$1,000 above comparable American-built models. Analysts now expect to see a steady stream of price rises from the Japanese in Europe as well.

Analysts suggest that the Japanese may have to scale back their ambitions of an ever greater share of the European market. At present, a quota system sets limits on the number of Japanese cars that can be sold in Europe until the end of the decade. Mr. Latham notes that the large run-up in the price of the yen now offers European automakers a "natural protection" against their Japanese competitors. "It adds additional incentives for Japanese carmakers and others to set up factories within the Community."

Of at least equal importance to European companies is the impact that a strong yen has abroad. "Before, Mercedes and Audi were finding it very difficult to sell in America," said Ryoichi Miyata, the German representative of the Daiwa Institute of Research in Frankfurt. Now, he points out, they are gaining back sales

at the expense of almost prohibitively expensive Japanese luxury cars.

Germany, with its traditional export strengths in cars and capital goods—sectors where the Japanese are particularly strong—looks like Europe's biggest gainer from the yen's rise. It is by no means the only one.

With nothing to lose and everything to gain, there is little wonder that calls from Tokyo in recent weeks for some sort of concerted international effort to arrest the yen's rise have fallen on deaf ears in Europe.

"I wouldn't expect there would be a long queue of governments wanting to help out at this moment," confessed Mark Cliffe, chief economist for Nomura in London, speaking before the U.S. Association on Thursday to check the rise of the yen.

Some observers said they saw the strength of Japan's currency as teaching its big companies an overdue lesson: U.S. multinationals have long skirted the problems of a strong currency at home and occasional bouts of protectionism abroad. Typically they have 20 to 25 percent of their manufacturing capacity overseas, compared with 5 percent for big Japanese concerns. More Japanese factories opening in Europe

would be good news for the local economies. Unfortunately, while the need of companies to open such plants grows greater with every upward lurch of the yen, the means to pay for them correspondingly declines as sales and corporate profits are squeezed.

Moreover, companies wanting to escape Japan and the strong yen burden need not come all the way to Europe to do so. Taiwan, not Tunis nor Toulouse, may yet appear the more attractive option to many Japanese executives.

At this point Japanese businessmen themselves seem unsure as to how to react. "They are at a loss for what to do," said Mr. Miyata of the Daiwa Institute. He and others attributed much of that paralysis to an enduring conviction that the yen must fall.

"Nissan Motor Co., which has yet to raise the price of any of its models imported from Japan is a case in point. 'We have to consider that the rise in the yen is temporary and not long term,'" said Sarah Wilkinson, a spokeswoman in London.

Currency specialists differ. Many point to Japan's trade surplus now running at a rate of \$11 billion a month, and to the fact that it was not being recycled.

# DEALS: European Industry Wins One—and Apparently Loses One, Too

**Continued from Page 1**  
help the U.S. companies edge out the European consortium Airbus Industrie. President Francois Mitterrand reportedly made strenuous efforts to persuade the Saudis to buy from Airbus.

But showing once again that nothing is over until it's over, McDonnell Douglas said Saudi Arabia had not made any definite decision yet regarding the choice of companies for the deal.

A spokesman for Douglas Aircraft, a McDonnell Douglas unit that is in the running to win part of the order, said: "No definitive decision has been made yet by the Saudis. They appear to be in the process of weighing the decision for the order internally but nothing has come yet."

For its part, Airbus told the International Herald Tribune, "We must wait for Saudi Arabia to make its announcement."

A source close to the European plane consortium conceded, however, that Airbus' prospects for winning the deal were now poor. The source also pointed out that the U.S. use of political pressure to shape the deal contradicted Wash-

ington's criticism of Airbus for doing the same thing.

On Thursday, Senator Patry Murray of Washington revealed in a radio interview that Mr. Clinton had told her that Boeing and McDonnell Douglas were expected to win the order.

Spokesmen for the two companies and for federal agencies were reluctant to comment on the deal, concerned that the Saudis would change their mind because of premature publicity. The Saudis have insisted they alone should announce the purchase.

The order is considered pivotal for the U.S. aircraft industry overall, because it probably will be the biggest sale to reach the industry this year.

McDonnell has spent the past year urging the Saudis to buy its plane, mainly its wide-body MD-11, which cost about \$100 million each.

The TGV technology heads for a major test in South Korea. Industry sources said the Seoul-Pusan high-speed rail line would need to carry about 120 million people a year in the year 2011, a decade after going into service. By contrast, traffic on the French Southeast TGV last year totaled 19 million.

The TGV holds several records, including one for speed and one for the most advanced technology. Its commercial speed is 300 kilometers per hour (185 mph), but its maximum speed is 315 kilometers per hour.

GEC-Alsthom also has contracts to extend TGV service from Paris to Amsterdam and Cologne, as well as through the Channel Tunnel to London. In May 1991, Texas decided to use the TGV for a line linking Houston, Dallas and San Antonio, and GEC-Alsthom signed a 50-year franchise with the Texas High Speed Rail Corp. in 1992.

The bidding to build the first high-speed railroad from Seoul to Pusan has been one of South Korea's most controversial and hotly contested projects. Parliamentary officials estimated in June the project would cost a total of \$13.7 billion, or \$5.7 billion more than originally estimated, because of inflation and changes in design and other programs.

Other French companies involved in the project are Ceglec SA and CSEET Transport SA, a unit of Compagnie de Signaux et d'Equipements Electroniques SA.

(AP, LAT, NYT, WP, Reuters, Bloomberg, AFP)

### AMEX

Friday's 30 Stocks

Table includes the following columns: High, Low, Last, Bid, Ask, % Chg, Volume, Open, High, Low, Last, Bid, Ask, % Chg, Volume, Open.

Symbol	High	Low	Last	Bid	Ask	% Chg	Volume	Open	High	Low	Last	Bid	Ask	% Chg	Volume	Open
AA	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAE	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAI	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAJ	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAK	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAO	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAQ	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAU	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAV	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAW	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAZ	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA1	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA2	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA3	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA5	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA6	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA7	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA8	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA9	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA0	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4

### 12 Month High Low Stock

Symbol	High	Low	Last	Bid	Ask	% Chg	Volume	Open	High	Low	Last	Bid	Ask	% Chg	Volume	Open
AA	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAE	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAI	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAJ	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAK	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAO	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAQ	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAU	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAV	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAW	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AAZ	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA1	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA2	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA3	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA5	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA6	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA7	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4	10 1/2	10 1/4	10 1/4	10 1/4	10 1/2	0	100	10 1/4
AA8	10 1/2	10 1/4	10 1/4	10 1/4												

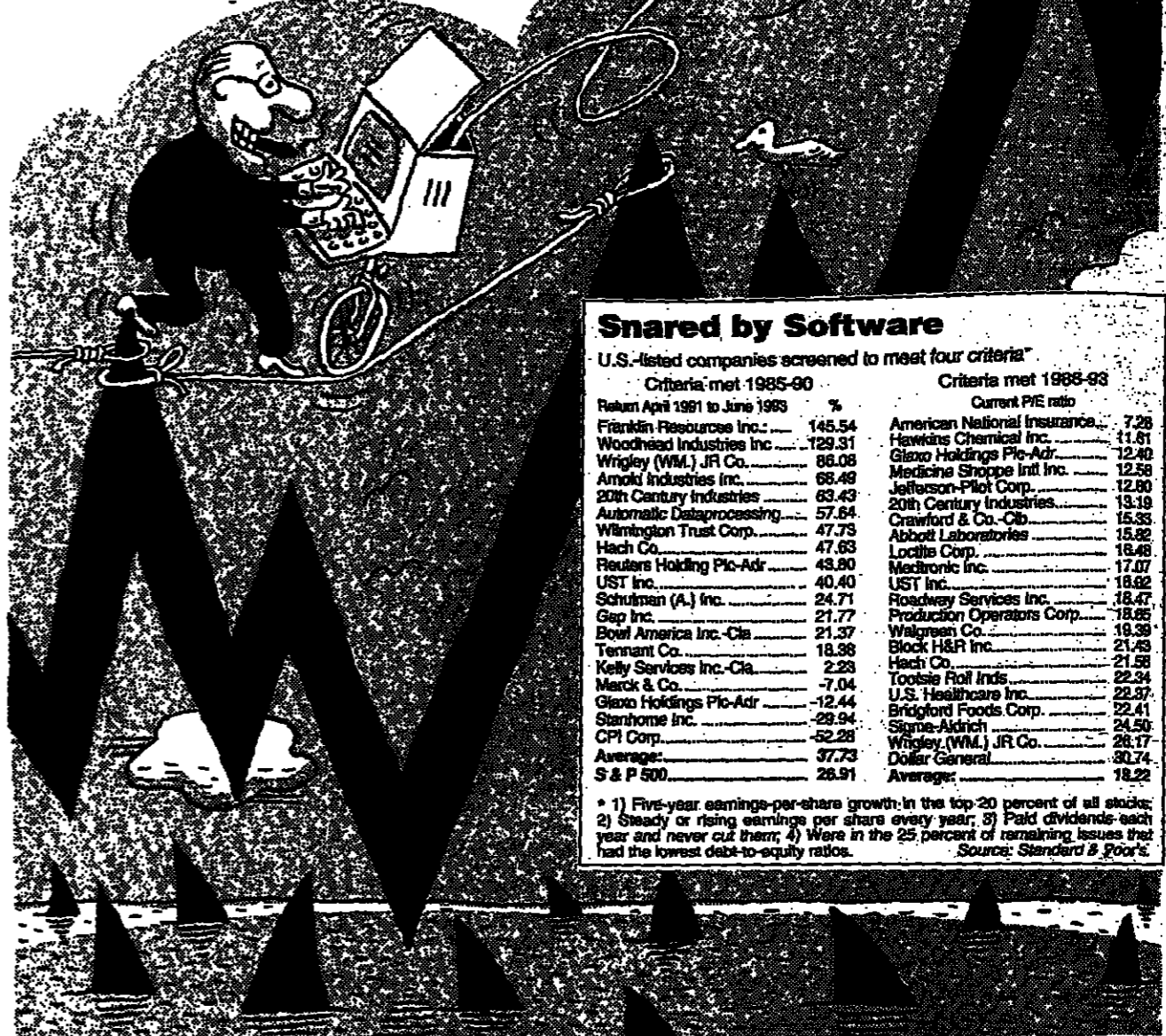
THE KEY REPORT

FIRST COLUMN Fed's Secret Of Success in Intervention

GIVE credit to the New York Federal Reserve Bank for salvaging the reputation of its colleagues in Europe and Japan. Just when their power to control currency movements seemed to be hitting postwar lows...

Computers Join Hunt For the Hot Company

THE use of computers in stock trading has had a negative spin on it since the 1987 crash, which some blamed on program trading. The cartoon image is of a petty brokerage functionary, barely old enough to hold a driver's license...



Snared by Software U.S.-listed companies screened to meet four criteria. Criteria met 1985-90. Criteria met 1989-93. Current P/E ratio.

concentrated in just one or two countries. The first aim is diversification: if all you did was apply screens, you might have a global stock portfolio that looks exciting, but you don't have diversification...

In Choosing Fund Stars, Look at the Duds

When investors, or their advisers, choose a mutual fund, they generally reach for tables of the top performers. The idea is that the fund that is at the top of the tables one year should also be the next. But, in reality, what is top one year is often bottom the next, and vice versa.

THE CENTRAL SOURCE ON FUND INVESTMENT. I.F.I. is the one and only publication devoted to providing unbiased coverage of this fast developing sector of the financial world.

Analysts' Estimates of Italian Company Results. Table with columns: COMPANY, End of financial year, Earnings est. for '93, Last month's est., % change, Last month's closing price, Current price, % change, P/E (est.), No. of analysts (est. used).

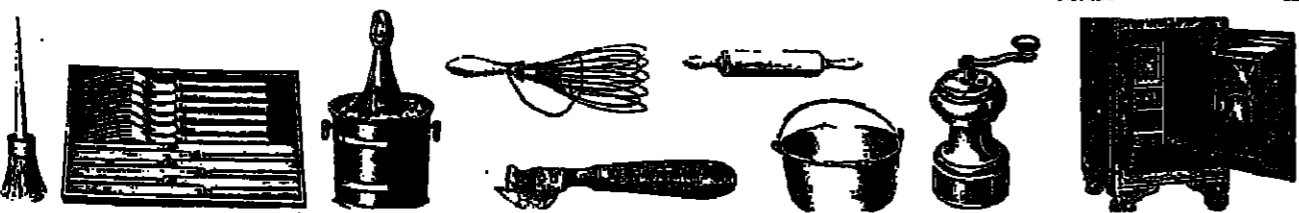
THE MONEY REPORT

Canadian Shares in From the Cold

By Judith Reink



Source: Bloomberg



Recipes for Restaurant Investing

By Philip Crawford

WHEN it comes to fantasy investments, there are perhaps three dreams heard most often, say those who have an ear tuned sharply to the markets.

The third, and perhaps most common of all, may also be the most accessible to individual investors who are interested in making a high-risk play: investing in a restaurant.

To be sure, say market mavens, this dream is not about buying stock in fast food companies that have thousands of outlets, or purchasing equity in major table-service restaurant chains that operate hundreds of eateries.

Such luxurious scenarios are not, of course, easily come by. Restaurant industry analysts say that a clear majority of new businesses—nine out of 10 by some estimates—fail within the first year of opening.

Why? Few sectors, on a global basis, are as intensely competitive. Food, labor and equipment costs are always rising. Also, many major markets are becoming saturated.

The good news, however, is that a highly successful restaurant can provide investors with stellar returns. Moreover, many experi-

enced restaurateurs are often looking for investors to help expand a working enterprise or to help get a new one off the ground.

"Finding investors is a very serious problem within the industry," said Jeffrey Prince, senior director of the National Restaurant Association, a U.S. trade group.

"Even though the restaurant business is rapidly expanding internationally, there's still not enough confidence in it to make finding backers an easy thing."

Investors in new restaurants typically receive all operating profits (assuming the restaurant is making money) until their original stakes have been recouped. Thereafter, a percentage of profits, depending on the size of their investment and the nature of their agreement with the restaurateur, is usually paid to them on a quarterly or semiannual basis.

"Our original investors made their money back after two years, and have been profiting ever since," said Kelly van Remoortel, who with her son Mike Powers raised the \$500,000 needed in 1986 to open Le Texan, a successful Tex-Mex restaurant in Monaco.

"Given our idea and location, we actually found it somewhat easy to find investors. In fact, we had to turn some people down." Le Texan became so successful in Monaco that a Paris branch opened up two years ago.

A similar success tale is that of Outback Steakhouse Inc., which began with private investor money only to go public in 1991 and take Wall Street by storm.

"The original investors in those chains have made a 300- or 400-percent return," said Cameron Mitchell, a former restaurant company executive who just raised \$400,000 in order to open his own upscale eatery, Cameron's, near Columbus, Ohio.

Mr. Mitchell said he gathered a total of 32 investors, 12 general partners and 20 limited partners, each of whom bought a minimum of 10 shares costing \$500 apiece in the business.

He said he hopes for annual sales of about \$1.5 million and profits of \$150,000, which would allow him to pay off the original stakes of the limited partners within two years.

"All profit will go to the limited partners until they have made back their original investments," he said. "After that, the limited and general partners will share the profits on a 50-50 basis."

INVESTING in restaurants through private placements, or shares not offered to the general public, hit its peak in the mid-eighties, say experts, when Wall Street was at its Reagan-era height. It virtually disappeared, however, after the stock market crash of 1987.

"In the early '80s, people wanted the cachet of owning a restaurant," said Malcolm Knapp, president of a New York restaurant consulting firm, which bears his name. "Food was a frequent topic of social conversation. And people buying into restaurants that ended up being successful received two payoffs:

the psychic reward of being able to do things like taking their friends there, and a good financial return. The indications are that people are starting to get interested in this type of investment again."

Other than the time-honored method by which financing for countless restaurants has been achieved—word of mouth—there are several ways through which those seeking to plunge into restaurant investing can find an opportunity.

One is simply by finding one's broker, since securities houses often assist restaurateurs in putting together private placement financing.

"Having a relationship with a broker who does a private placement or who knows of one being done is probably the easiest way to find opportunities," said Steven Rockwell, who tracks the restaurant industry for Alex. Brown & Sons in Baltimore.

Another method is by checking restaurant industry publications. "Our classified section often has items regarding new business opportunities, restaurants being sold or bought, and the like," said Rick Van Warner, editor of Nation's Restaurant News, a weekly U.S. trade paper.

"A lot of opportunities are also discussed at trade shows." Another route, especially for high-net-worth individuals, is to work with a venture-capital firm, which would likely have a full dossier on the industry track record of restaurateurs who had come to it seeking investors.

In fact, "know your operator" seems to be the first caveat issued to potential restaurant investors by industry pundits.

AFTER five years when the atmosphere at the Toronto Stock Exchange seemed to be influenced mostly by the cold winter winds from the western prairies, Canada's stock market is in the midst of a heat wave.

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world, compared with 3.5 percent in the United States.

The run-up in the Canadian stock market has been fueled largely by oil and gas stocks, which have doubled — and more — as economic recovery in the United States has accelerated demand and price rises for natural gas. Another boost came as shares in gold mining companies, which make up nearly 10 percent of the TSE 300 index, ran up ahead of bullion's climb through the magic \$400-a-ounce benchmark.

Mr. Kumar, however, expressed growing caution about the oil and gas sector after its big price run-up. "A more interesting way to approach it is to buy pipeline stocks, which are benefiting from the increased volume of gas being shipped to the U.S.," he said, naming TransCanada Pipelines, and West Coast Energy, which serves California.

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Nevertheless, "There's still the risk of a 10 percent pullback in the market, and in some cases, stock prices have gotten too far ahead of earnings," cautioned Subodh Kumar, market strategist for Wood Gundy, the big Canadian brokerage. "We're still in a bull market, though," he added, predicting a high of 4,200 by year's end.

Right now, one of the most closely watched sectors is the high-flying oil and gas stocks, which have re-

bounded after falling as much as 20 percent in early July. Many analysts maintain that the longer-term story still looks positive. "Demand is high in the United States and more pipelines are being built to meet it," said George Domolky, who runs Boston-based Fidelity's Canada Fund. Even better, Canadian companies produce natural gas at half the cost of their U.S. counterparts.

Money managers are concentrating on groups with tight management, using new technology like horizontal drilling to explore proven oil and gas reserves at below average costs, rather than costly exploration. Favorites range from larger companies like Talisman Energy and Anderson Exploration to the smaller denizens of Calgary's oil patch like Petromet and K2 Energy.

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ANALYSTS differ sharply on another group, which has missed out completely on the market rally: producers of base metals such as nickel, copper and aluminum. Suffering from poor global demand, these stocks are still so deeply depressed that Mr. Stum of Mackenzie sees an upside of 50 percent once they start recovering.

That has led him to do some bottom fishing, taking a large position in Inco, the nickel producer, and a smaller one in Cominco, both mined near their 1993 lows.

But Norm Lamarche, whose Altamira Resources Fund soared 74 percent in the first half of this year, is not tempted. "The fundamentals for base metals are still ugly, supply exceeds demand, and inventories are exceedingly high and growing," he said. "We even think these stocks are expensive."

Better candidates for further recovery are lumber and forest product stocks like MacMillan Bloedel and Canfor, which strategists see as profiting from a rise in housing starts and renewed economic growth in the United States and Japan, as well as environmentalist pressures, which have cut supplies in the United States.

Other sectors, overlooked in the rush to natural resource stocks, also appear poised to benefit from Canada's improving economy. Mr. Kumar likes the banks, such as Royal Bank of Canada, commenting, "It's a less risky cyclical play."

Mr. Domolky favors Hudson's Bay Company, the retailer, which he describes as well managed and benefiting from the demise of several competitors, and the Thomson Group, owners of the Toronto Globe newspaper. "Ad revenues still look weak, but I expect them to pick up," he said.

What could ruin this sunny scenario? Clearly, U.S. economic recovery, so vital to Canada, could falter, or Europe's economies could be slower to get off the ground. But the market is now being buoyed by domestic investors who bailed out of low-yielding bonds and poured more than 4 billion Canadian dollars (\$3.1 billion) into equity funds in the first half of this year.

Calculating the Tax Bite on Expatriates

By Jack Anderson

PRESIDENT Bill Clinton was not thinking of American expatriates when he said his deficit reduction package, signed into law last week, would cost the average individual "10 cents a day."

The increase in individual income tax rates, retroactive to Jan. 1, 1993, constitutes the largest top marginal income tax rate increase since World War II. Many "top-level" expatriates with taxable income in excess of \$140,000, if married, or \$115,000, if single, will feel the bite.

Most U.S. expatriate taxpayers fall into one of two broad groups: those employees of multinational companies who are on assignment overseas under a structured tax equalization policy and those who are local hires and are "on their own" when it comes to paying their U.S. and foreign income taxes.

same as it would have been had he stayed in the United States.

Expatriates who are local hires and who pay their own foreign taxes and have previously paid little or no U.S. tax should be minimally affected by the changes. This is the case for the local hire with excess foreign tax credits who is in a "high tax" jurisdiction and is already paying foreign taxes above the new U.S. rates or has only earned income below the \$70,000 exclusion.

The exception is the top-level expatriate who is subject to Alternative Minimum Tax (AMT), and who is likely to see his AMT bite increase with the new two-tiered increase in AMT rates, up from 24 percent to 26 percent or 28 percent. The AMT is designed to ensure that taxpayers with high gross incomes who, through the use of special tax breaks and deductions, pay little or no regular income tax are subject to a minimum tax. The AMT is calculated by adding back certain deductions taken on the income tax return and then applying a flat tax rate of 24 percent (in 1992). As the foreign earned income exclusion is not one of the required "add-backs" in computing AMT, those taxpayers who exclude all of their compensation are

not generally subject to AMT. But for taxpayers who have earned income in excess of the exclusion and have to rely on foreign tax credits, as most tax-equalized expatriates do, AMT poses an annoying problem.

Before 1986, overseas taxpayers could offset up to 100 percent of their regular tax as well as 100 percent of any AMT imposed with foreign tax credits. The Tax Reform Act of 1986 limited the use of foreign credits to offset AMT to 90 percent. Because of this limit, highly compensated expatriate taxpayers are subject to double taxation on at least 10 percent of their AMT without recourse to any tax treaty.

Thus, under the new Clinton tax law, the increase of AMT rates to 26 and 28 percent means that expatriates already suffering this double taxation will have to pay even more. In general, however, local hires are much less likely to be subject to AMT than employees on expatriate packages because their taxable income is not inflated by overseas allowances and tax reimbursements.

To quantify the tax impact of the Clinton bill, let's take the example of a top-level U.S. expatriate, married with two children, who is on a

typical tax equalization policy. His stay-at-home tax will be calculated only on his salary, bonus and stock options. The tax on this stay-at-home income of \$230,000 will increase by \$4,500 in 1993 under the new rates. This amount will be retained from his salary by his employer.

Expatriates in high income tax countries should have excess foreign tax credits that will offset the increase in U.S. taxes (but not all the AMT increase), thus minimizing the increased tax costs to the employer of a tax-equalized employee.

Perhaps the most costly provision of the new tax bill for expatriates and their employers is the elimination, beginning in 1994, of the ceiling on compensation upon which both employee and employer must make Medicare contributions of 1.45 percent. The ceiling now is \$135,000. The total social contribution costs (Medicare portion) in the example of the executive cited above will increase by approximately \$7,395 per year, including both employee and employer's increase.

Jack Anderson is a tax partner of HSD Ernst & Young in Paris.

Asian Stamp Collectors Send a Message

By Aline Sullivan

SIR Rowland Hill, the founder of the penny post in 1840, would be pleased. Not only is Britain's Royal Mail improving its delivery times, although they are still not up to Victorian standards, his invention, the postage stamp, is enjoying a new vogue among investors worldwide.

Stamp values languished in the past decade following a speculative boom in the late 1970s. But Hong Kong demand from collectors in China and other countries in Asia has helped generate a renaissance in stamp collecting, believed by many participants to be the most popular hobby in the world.

"Rare and top-quality stamps have more than held their value recently and now prices are rising," said Jeffrey Schinder, associate director and stamp specialist at London auction house Christie's. "There are a lot of buyers from Hong Kong and Taiwan."

Rising incomes in Asia, together with increasing interest in national heritage, has made these collectors particularly avid. But stamp collecting is becoming more popular worldwide. Many dealers attribute this to the changing interests of an aging population. People start collecting stamps in their youth, put them aside for years and then re-

turn to the hobby later in life as serious collectors.

Charles Napper, a stamp cataloger at London auction house Phillips, said the market worldwide is improving rapidly for top-quality stamps.

"Stamps in good condition are selling very well although everybody is very cagey because of what happened before," said Mr. Napper. "Prices are increasing, particularly for British and Far Eastern material. That stamps are going for as much as five times our original estimates."

THE market for Thai stamps is frequently cited by dealers as a booming area. Christie's sold a collection in Singapore at the end of May for £1.2 million (\$1.8 million), three times the estimated selling price.

"It was our first stamp auction in Singapore and we are certainly going to have more," said Mr. Schinder. "Only two lots didn't sell out of about 300."

first stamp and is expected to fetch up to \$12 million.

British stamps are also selling very well, said Mr. Napper, particularly top-quality ones from the reigns of Queen Victoria, Edward VII and George V. Gains in this market, which is mostly supported by British collectors, are unlikely to be as spectacular as in Asia. But the market is much more stable, thanks to large numbers of dealers and well-defined prices.

Mr. Schinder said the British stamp market is unlikely to outperform other areas of the world until some large collections become available.

In Continental Europe, the market for good-quality stamps is strong, said Victor Ferri, a director of Swiss auction house Corinphila Auktionen. "For top-quality, unknown material the prices are always good," said Mr. Ferri. "We have good material now and this year should be very successful." Corinphila Auktionen offers stamp collections once a year at the end of October. Among the collections scheduled to be sold this year is a group of Swiss stamps from 1843 to 1868, with an estimated worth of 2.5 million Swiss francs (\$1.66 million), and a collection of first Colombian issues that should fetch at least 1 million francs.

These caveats aside, stamps can serve as a good hedge against inflation. Top-quality stamps are unlikely to lose their value and will most probably appreciate.

BRIEFCASE

Chemical Bank Offers New Group of Funds

New York-based Chemical Bank, whose fund business has been limited to money market products, took the plunge this week into bond and equity funds with the launching of the Hanover Investment Funds family. Four new funds were launched, each with a distinct investment objective.

The Short Term U.S. Government Fund, as the name suggests, will focus on short-term securities issued or backed by the U.S. government, while the U.S. Government Securities Fund will invest in like instruments of varying maturities. The Blue Chip Growth Fund will invest primarily in shares of large corporations with established earnings reputations, while the Small Capitalization Growth Fund will focus on equity in smaller, younger corporations.

Gary Gordon, a Chemical vice president, said that minimum investment in each of the funds will be around \$1,500, with the exact figure to be determined by the distributor. All of the funds are open-ended and available to both retail and institutional investors.

Malaysian Equities Top Hong Kong Listing

Those who see Malaysia as a high-growth emerging market got some support in that view this week from the Hong Kong Investment Funds Association. The trade group announced that Malaysian equity holdings were the best-performing sector in Hong Kong-domiciled funds for the year ending July 31, returning an average of just over 70 percent.

It was the third straight month that Malaysian equity funds beat all competition for average return over the previous 12 months, having averaged about 66 percent for the year ending June 30, and more than 57 percent for the year ending May 31, said a Bloomberg Business News report. Japanese equity

funds, averaging about 55 percent, and Thai equity funds, averaging 53 percent, were the other best-performing sectors in Hong Kong-domiciled funds for the year ending July 30.

The launching of these funds is part of an overall effort to broaden our product line according to the needs of our customers," said Mr. Gordon. Chemical Bank manages approximately \$3 billion in its six money market funds.

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# SPORTS BASEBALL

## In First Statement On Father's Death, Jordan Chides Media

By Robert McG. Thomas  
New York Times Service

NEW YORK — In his first public statement since learning last week that his father had been shot to death, Michael Jordan expressed gratitude for an outpouring of public sympathy, but chided some members of the news media for speculating that the death might have been linked to his own well-publicized gambling activities.

"Throughout this painful ordeal I never wavered from my conviction that Dad's death was a random act of violence," Jordan said in a statement issued Thursday through his lawyer in Washington. "This I was deeply disturbed by the early reports speculating that there was a sinister connection to Dad's death. I was outraged when this speculation continued even after the arrests of the alleged murderers."

According to murder charges that have been filed against two men in Robeson County, North Carolina, Michael's 36-year-old father, James P. Jordan, was shot to death during a robbery at about 3:30 A.M. on July 23 after he had stopped for a nap at a rest area near Lumberton, North Carolina. He had been driving home to Charlotte after a funeral in Wilmington.

The body was discovered in a South Carolina creek on Aug. 3 and cremated two days later, after an autopsy. He was not identified until late last week, after authorities learned that a car, found stripped near Fayetteville, North Carolina, belonged to the elder Jordan.

In his statement, Michael Jordan, who had delivered the eulogy at a private funeral Sunday, expressed appreciation for the efforts of law officers, while acknowledging "lingering concerns about the handling of Dad's body."

"Fortunately, the investigation has identified the apparent perpetrators of this heinous act, and their forthcoming trials will ultimately establish their culpability and mete out their punishments," he said.

Jordan devoted four of six paragraphs in the statement to the news media. "During this tragic ordeal, the vast majority of the media reports approached the situation with dignity, sensitivity and respect for human decency," he said. "Unfortunately, a few engaged in baseless speculation and sensationalism. These few should cause us all to pause and examine our consciences and our basic human values."

Jordan, who mentioned no news outlets by name, concluded with a tribute to his father: "My dad taught me to carry myself with love and respect for all. The wisdom of his principles will help me rise above any thoughtless insensitivity and unfounded speculation. With the help of God's strength, I will find the inner peace to carry on in Dad's way."

Jordan's statement was issued one day after the parents of one of the murder suspects, Larry Marlin Demery, 18, made their first public comment since their son's arrest.

"It like to torn my heart out of me," said Virginia Demery. "I never hurt so much in all my life. When I realized the seriousness of the situation, I went to pieces."

According to the Robeson County Sheriff, Hubert Stone, Demery had an extensive juvenile record, which is sealed. According to court records, beginning exactly two months after he turned 16 in August 1991, Demery had been arrested six times on a total of 14 charges as an adult before his arrest in the Jordan killing.

The most serious of the previous charges was assault with a deadly weapon with the intent to kill or cause serious injury. According to the police in Pembroke, North Carolina, Demery smashed Wilma Dial over the head with a cinder block, fracturing her skull, during a robbery of her convenience store in October 1992.

In their interview on Wednesday, the Demerys described their son's friend, Daniel Andre Green, who has also been charged in the Jordan case, as a respectful youth who never gave them any problems.

According to Stone, Green, too, had an extensive criminal record. He was paroled two months ago and had been in jail since shortly before his 16th birthday, when, in what the police have described as a wrestling match gone awry, he took an axe and cleaved open the skull of his friend, Robert Ellison.



The Cubs' Mark Grace tumbled into the dugout but hung on to Moises Alon's foul ball for the out.

## Braves End 9-Game Streak By Losing, 7-5, to Dodgers

The Associated Press

If the Atlanta Braves intend to catch the San Francisco Giants, they can't afford to lose too many more like this one.

Atlanta's nine-game winning streak ended Thursday night as Tom Glavine allowed four runs in the first inning of a 7-5 loss to the Los Angeles Dodgers in Atlanta. Still the Braves came back with a run in the ninth and had runners on second and third with one out before Jim Gott shut them down.

"It was frustrating for me personally, because I didn't give the guys a chance to win," Glavine said after Atlanta dropped 7½ games behind first-place San Francisco in the National League West. "If I had done my job for a couple of innings, we might have won."

Ron Gant, Fred McGriff and David Justice singled off Gott in the ninth, scoring one run. Terry Pendleton sacrificed, Damon Berryhill struck out and Mark Lemke was intentionally walked, leading the bases. Javier Lopez grounded out to third base on the first pitch, giving Gott his 23d save.

"There'll be some people out there saying the pennant race is over," Glavine said. "I don't think you can put that kind of pressure on yourself. We don't feel as though you have to win every single game."

Eric Davis hit a two-run homer

in the first off Glavine, who had been 4-0 in his previous seven starts.

Kevin Gross allowed three runs and eight hits in 5½ innings.

"I don't think this one game will finish them," Eric Karros said. "They had won nine in a row. You eventually have to lose one."

Giants 6, Pirates 3: Willie McGee and Todd Benzenger homered, and Bryan Hickerson pitched five-hit ball over seven

plus innings for visiting San Francisco, winning for the first time since July 21.

Pittsburgh's Bob Walk lost for the fifth time in six starts, allowing five runs and four hits in just three innings. Rod Beck got three outs for his 37th save as the Giants won for the seventh time in nine games.

Rockies 6, Phillies 5: Freddie Benavides hit a go-ahead, three-run homer off Roger Mason (4-9) as Colorado rallied from a 5-1 deficit in the eighth inning at Mile High Stadium in Denver.

Marcus Moore pitched two innings, allowing an eighth-inning sacrifice fly to Mill Thompson, and Darren Holmes pitched a perfect ninth for his 15th save in 18 chances.

Cardinals 3, Padres 2: Mark

Whiten hit a bases-loaded sacrifice fly that snuffed an eighth-inning rally and St. Louis swept a three-game series and sent visiting San Diego to its fifth consecutive loss.

Mike Perez pitched a perfect eighth and Lee Smith finished in lead the major leagues with his 15th save. The Cardinals are eight games behind the Phillies in the National League East.

Astros 8, Marlins 3: Kevin Bass homered, doubled twice and drove in five runs as Houston completed a three-game sweep over the visiting Florida.

Mark Portugal reached 12 victories for the first time in his career, winning his sixth straight decision. He gave up three runs and eight hits in 5 2/3 innings.

Charlie Hough was tagged for five runs and seven hits in three innings as Florida lost its fourth straight.

Expos 10, Cubs 2: In Chicago, Jeff Fassero pitched a six-hitter for the first complete game of his career, striking out nine and walking three. Montreal scored six earned runs in the seventh inning.

Darwin Fletcher, who had just three hits in his 38 previous at-bats, hit his sixth home run this season in a three-run fourth off Frank Castillo, who gave up four runs and five hits in four innings.

## Baseball: Last Pennant Race Has Begun

By George Vecsey  
New York Times Service

TAKE a look around you. Watch the Yankees battling the Orioles in the Stadium. Listen for the knowing rumble of the fans when a "1" is posted on the scoreboard from the Red Sox-Blue Jays game in Fenway. This is a pennant race. This is the last one.

Take a good look. There are people who wished they had taken one last look at Ebbets Field or Pennsylvania Station or the American

baseball herds. **Vantage Point**

to commit memory before the money people tore them down or drove them over the cliffs.

Take a good look at the four teams scrambling for exactly one place in the championship rounds. Winners only. Losers go home. This is the last time. Mediocrity arrives in 1994.

We are observers of the last hurrah of that unique baseball institution known as the pennant race.

Baseball probably doesn't deserve this, but the lucky dogs have gotten themselves a four-team race in the eastern division that will be hard to unscramble. Only one of these teams is going to the American League Championship Series.

"I like it the way it is: either you win the division or you go home," said Jimmy Key, the Yankee left-hander who had it both ways with Toronto, and accepted the consequences.

Bobby Thomson sent the Brooklyn Dodgers home for the winter. Bucky Dent put the Red Sox out of their misery. No wild cards. No also-

rans. No back-door champions. That all ends after this stupor.

Next year, baseball is getting itself gussied up for a date with the golden goose. Some of us had major problems when baseball went to four divisions in 1969, but at least you still had to win your race.

Next year there will be eight teams in the playoffs. Will they still hold the "World Series" or will it be "the finals"?

The owners will meet in Boston on Sept. 8 to 9 to determine just how this will be done. Six division winners in two leagues with two wild-card teams? Four division winners and the runner-ups in each division? Four division winners plus the next two teams in each league?

"To me, it's almost unhealthy to play for second place," said Paul Gibson, the personable itinerant relief pitcher who considers it a "privilege" to be with the Yankees in a real race.

He was with Detroit teams that faded in 1988 and 1991; he accepted it as part of the game. But the game is changing.

The discerning reader will surely detect a hefty dollop of sentimentality herein, but the reader will also note that I am refraining from condemning the new order. This is because in a moment of weakness last spring I decided that the National Basketball Association playoffs were hot stuff.

I mean, some people were debating whether Shaquille O'Neal and the Orlando Magic could upset Patrick Ewing and the Knicks in an abbreviated first round. No. 1 vs. No. 8. If only the Magic could qualify.

These are the absurd things you think about when you are confined to stuffy arenas in the

springtime, watching tall men lope up and down the court.

Suffering from oxygen deprivation, I came down on the side of playoffs. I'm struck with that position. But a lot of good people are still defending the lost cause.

"Bob Costas says to me, 'How dare you tinker with the game?'" admits Bud Selig, the owner of the Milwaukee Brewers, who has been running baseball since the owners forced Fay Vincent out last September.

Selig has been criticized for worse things than adulterating the post-season. This one he can defend.

"I put myself in the category of traditionalist," Selig said the other day. "People say, 'Bud, you used to say, 'over my dead body' about playoffs, but now you're on the other side.' Well, we can't continue to do what we did."

Selig points out that eight qualifiers among 28 baseball teams is a lower rate than basketball, football and hockey. And he recalls the excitement of watching the Green Bay Packers trying to cop the last wild-card spot in the playoffs. He suspects that traditionalists in Milwaukee would not mind watching the Brewers try to sneak into the last spot for the baseball players.

On the other hand, are we ready for a manager resting his pitching staff in the last week of the season because he's already got a playoff spot sewed up? Basketball plays all season for one extra game. This is the future.

So take out your remote-control channel-changer. Keep one eye on the scoreboard. There are four teams fighting for one spot. We may never see this again.

## 'Threat' to Kill Cal Ripken Jr. Sparks an Alert

The Associated Press

MEDINA, Washington — A 14-year-old girl sent a computer message to her boyfriend and added a death threat against the baseball star Cal Ripken Jr. as a joke. The police didn't find it funny.

The girl sent the message over a nationwide computer network to her boyfriend in New Jersey. The Orioles shortstop was meant to needle her boyfriend, who idolizes Ripken, said Joe Race, police chief of Medina, a suburb of Seattle.

The Orioles were in Seattle this week to play the Mariners. Officials of the computer network in New York read the message and notified the police. Two police officers were assigned to guard Ripken during Monday night's game, and a third accompanied him back to his hotel.

After a 16-hour stakeout, police saw the 14-year-old arrive home with her 28-year-old sister. Her parents were on vacation, Race said.

The girl acknowledged having sent the message and was "very embarrassed and apologetic," Race said. "No criminal charges will be filed."

"By the time her sister got done chewing her out, that was enough," Race said.

## As Pitchers Surge, Royals Roll, 4-2

The Associated Press

Four or five runs a game — that's what Kansas City's manager, Hal McRae, figures his team needs to win the American League West race with its suddenly resurgent pitching rotation.

They have been getting their quota lately with 19 runs in their last four games.

"We've been scoring runs, so we feel good as a team. Everyone's carrying their load," McRae said after the Royals beat the Minnesota Twins, 4-2, Thursday in Minneapolis behind David Cone's seven shutout innings.

The fourth victory in a row for the Royals gave them their first sweep in Minnesota since 1981 and brought them within two games of AL West-leading Chicago.

"When we pitch well down the stretch, we're never out of a ball game," McRae said. "You're not going to be blown out. And we play good defense, so we're not going to give the game away. It's a matter of us scoring four or five runs a night."

The way the Royals have been pitching lately, they may not even need that many. They have allowed just two runs in each of their last three games and have a 2.78 ERA in their last nine.

"Cone was overpowering," said the Twins manager, Tom Kelly. "He throws five or six pitches and from different angles. He is tough to hit when he comes in sidearm with a slider or fastball."

Cone, the major-league leader in strikeouts the past three seasons,

struck out a season-high 11, allowed three hits and two walks.

While the Royals aren't big home-run hitters, they've been benefiting from the long ball lately. They homered in their sixth straight game as George Brett and Brian McRae each hit solo shots.

Infielders 5, Red Sox 1: In Boston, Julian Alvarez, just one month out

of Class A, pitched seven strong innings, setting after an RBI double in the second and allowing two hits in the next five innings.

Boston, just one game out of first place last Friday, now is in third place, five games behind AL East leader Toronto. The Red Sox lost for the seventh time in 10 games.

Angels 5, Brewers 4: Luis Polonia scored on a wild pitch by Crisianis Lloyd in the 12th and Tim Salmon homered in his fourth consecutive game as California defeated visiting Milwaukee.

Kevin Seitzer's leadoff home run in the top of the ninth put Milwaukee ahead, 4-3, but the Angels tied it in the bottom half on pinch-hitter Stan Javier's RBI single. California ended its three-game losing streak and sent the Brewers to their fourth straight loss.

Lloyd gave up a leadoff single to Javier in the 12th and Polonia bunted into a force play. Chad Curtis followed with a hit-and-run single and the winning run scored when Lloyd homered a 2-2 pitch to Salmon past catcher Dave Nilsson.

### DENNIS THE MENACE

### PEANUTS

### CALVIN AND HOBBES

### JUMBLE

THAT SCRAMBLED WORD GAME

Unscramble these words to win a prize. Write the letters in the correct order in the boxes below.

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LORCAR  
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Answer here TO: \_\_\_\_\_

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### GARFIELD





DAVE BARRY

Four Simple Words

MIAMI—Summer vacation is almost over, so today Uncle Dave has a special back-to-school "pop talk" for you young people, starting with these heartfelt words of encouragement: HA HA HA YOU HAVE TO GO BACK TO SCHOOL AND UNCLE DAVE DOESN'T.

Seriously, young people, I have some important back-to-school advice for you, and I can boil it down to four simple words: "Study your mathematics."

I say this in light of a recent alarming Associated Press story stating that three out of every four high school students—nearly 50 percent—leave school without an adequate understanding of mathematics. Frankly, I am not surprised. "How," I am constantly asking myself, "can we expect today's young people to understand mathematics when so many of them CAN'T EVEN POINT THEIR BASEBALL CAPS IN THE RIGHT DIRECTION?"

I constantly see young people with the bills of their baseball caps pointing BACKWARD. This makes no sense, young people! If you examine your cap, you will note it has a piece sticking out the front, called a "bill." The purpose of the bill is to keep sun off your face, which, unless your parents did a great many drugs in the '60s (ask them about it), is located on the FRONT of your head. Wearing your cap backward is like wearing sunglasses on the back of your head, or wearing a hearing aid in your nose.

But also we need to think about getting these math scores up. A shocking number of you young people are unable to solve even basic math problems, such as the following:

A customer walks into a fast-food restaurant, orders two hamburgers costing \$2 apiece, then hands you a \$5 bill. How much change should you give him? a. \$2 b. \$3 c. None, because the question doesn't say you WORK there. You could just take the money and run away. The correct answer, of course, is that you should give the customer d. Whatever the computerized

cash register says, even if it's \$154,789.62. I was fortunate enough to receive an excellent mathematical foundation as a member of the Class of 196.5 Billion Years Ago at Pleasantville High School, where I studied math under Mr. Solin. Although the subject matter was dry, he was able to keep the class's attention riveted on him from the moment the bell rang until the moment, several minutes later, when a girls' gym class walked past the windows, every single day, causing the heads of us male students to rotate 90 mathematical degrees in unison, like elves in a motorized Christmas display.

You young people deserve to have the same advantages, which is why I was so pleased to note in the Associated Press story that some university professors have received a \$6 million federal grant to develop new ways to teach high school math. The professors know this will be a challenge. One of them says: "There is a mentality in this country that mathematics is something a few nerds out there do and if you don't understand mathematics, it's O.K.—you don't need it."

This is a bad mentality, young people. There's nothing "nerdy" about mathematics. Contrary to their image as a bunch of out-of-it, huge-butted, "Far Side" professor-dweebs, today's top mathematicians are in fact a group of exciting, dynamic and glamorous individuals who are working to solve some of the most fascinating problems facing the human race today ("Let's see, at \$2.98 apiece, with a \$6 million federal grant, we could buy... WHOA! THAT'S 2,013,422.82 POCKET PROTECTORS!")

So come on, young people! Get in on the action! Work hard in math this year, and remember this: If some muscle-bound Neanderthal bullies corner you in the bathroom and call you a "nerd," you just look them straight in the eye and say, "Oh YEAH? Why don't you big jerks... LET GO! HEY! DON'T PUT MY HEAD IN THE TOILET! HEY!" And tell them that goes double for your Uncle Dave.

Knight-Ridder Newspapers

Merging Hard-Bop and Celtic Traditions

By Mike Zwerin

MONTREAL—Tena Palmer wrote "Kiss and Bedtime Story," a country song about incest in a small Nova Scotia community like the one in which she grew up, for Chelsea Bridge, the jazz quartet she sings with. Jazz songs are usually about the moon in June. She doesn't mind singing "Body and Soul." Those songs will never die. But if you're going to do something new, you might as well talk about what's really going on. She's not interested in escape.

The song's story comes from real life, things that happen in small, inbred communities. She has also written one about the death of the fishing industry along the Nova Scotia coast. She compares these songs to Willie Nelson singing about Midwest people losing their farms, but smiles a sly smile and tosses her short blonde hair with energetic punctuation: "They're not exactly country and western. The way we play this stuff, it kicks like Sonny Rollins playing 'Tennessee Waltz.'"

It is a rare and wonderful thing when the most deserving entry wins a contest, as Chelsea Bridge won the Du Maurier prize for Canadian bands deserving wider recognition during this summer's Montreal Festival. They have issued one CD, "Bliss on a Sharp Sea" (Unity). Before Montreal, the band toured Edmonton, Calgary and Vancouver. You forget that there are many good Canadian bands, so near and yet so far, working such remote places. Of course "remote" is relative. News does not travel fast about gigs in the middle of what the power structure considers the middle of nowhere, and, in any case, a Canadian prize does not mean much below the border.

Palmer tosses her hair again, as though to shake up the ideas underneath it: "Canadians who manage to cross the border, America kind of embraces them and says 'they're ours.' It's tough being Canadian and taking our thing to them. Our band hasn't really gone for it yet, but I'm told we are getting airplay on a radio station in Cincinnati for some reason." Named after one of the most beautiful ballads Billy Strayhorn wrote for Duke Ellington, Chelsea Bridge consists of Rob Frayne on saxophone, bassist John Giegie, drummer Jean Martin and vocalist Palmer. Frayne plays with a spare hand edge reminiscent of his teacher Joe Lovano, and totally original phrasing and sound. We'll hear a lot more from him. The band features wide open spaces it is easy to imagine as being Canadian, both special and temporal, but most of all the music reflects their native country by a unique combination of hard-bop and Celtic traditions.



When Chelsea Bridge plays, says vocalist Palmer, "it kicks like Sonny Rollins playing 'Tennessee Waltz.'"

trumpet role. Scat singing is a dodgy affair, prone to cliché and self-parody, which she avoids by a combination of musicianship and taste. Her control is absolutely solid, her texture sharply rounded. While studying baritone saxophone at St. Francis Xavier University in Nova Scotia, Palmer joined the jazz choir "just for laughs," suddenly she found herself getting work as a singer and added singing to her formal studies. She gave up the horn and moved to Toronto to get serious about it. Frayne contacted her there. Frayne had been introduced to the Celtic influence by jazz bop singer Rufus Harley. "Celtic reels and jigs have several things in common with jazz," he says. "A steady groove, a rich, modal bass, and a structural repetition similar to the jazz song form."

In Montreal, they call Toronto "the Big Tomato" (it's not exactly the Big Apple, in other words). Palmer really liked it there in the '80s. She left because the work was drying up and returned to Montreal just as it was drying up there and coming back in Toronto. Go figure it out. Luck works in strange ways. In any case, the band started working. Chelsea Bridge has a chemistry that is loose and organic. They sense what the others are going to play next. What amounts to is a matter of trust and commitment. This is not just something they are doing because they have nothing better to do at the moment. Palmer's decision to go deeper into the Celtic/hard-bop marriage came while doing "late night kitchen bangs

playing pennywhistle with fiddle players" during a visit home. "There's a lot of Gaelic on Cape Breton island," she said, assuming a good imitation of a Highlander accent. "My mother speaks Gaelic, so I'm plugged into it, but it's not like there's a real 'scene' there. I just like the folk context as a vehicle for storytelling." "My grandfather was a goldminer in Loch Katerine, and one song I wrote is about the 20,000 fishermen who lost their livelihoods there. Through a lot of bureaucratic mismanagement, the place is overfished. There are no more stocks. So these people have to be retrained or moved. Thousands of dollars invested in now useless boats, generations of a lifestyle, peaceful communities... gone. And these people have so much pride. What can they be retrained for? There's nothing else around. It just breaks my heart." For some reason a whole lot of jigs and reels are currently breaking into their repertoire. Palmer laughs: "There's also been an influx of tangos. We have some Blue Note-type tunes too, with bop tenor and we sing the trumpet role in the front line. When Rob Frayne called me to join the band, he had this sound in his mind. I had never sung that far out before, all those bloodthirsty neobop songs. What was I, Dizzy Gillespie or something? It was kind of scary. But I learned to do that along with the rest and I'm still learning and we're getting somewhere. We're finding our own style, which involves a totally new kind of freedom. It's hard to handle sometimes but it sure is fun."

PEOPLE

After Beach Escapade, Schiffer Seeks Cover

Camilla Schiffer, the German model, will seek 10 million Deutsche marks (\$5.9 million) in damages against three European magazines that published topless photographs of her on Mallorca, said the German daily Bild.

In 1991, the New York Times critic John Russell visited the Ringling Museum of Art in Sarasota, Florida, and wrote a rave review. The museum, founded by circus owner John Ringling, is "in a class of its own," Russell declared. The museum paid Russell's wife \$8,000 to deliver a lecture there two days before the story ran. The museum's usual speaking fee is \$500. Russell said he accompanied his wife, Rosemond Bernier, to Sarasota, and that it is not unusual for them to travel together when he is writing and she is lecturing. He said that Bernier, who for 20 years edited L'Occel, a Parisian art magazine, received her standard fee. Warren Hoge, who oversees cultural coverage at the Times, told The Washington Post that the paper had "absolutely no problem" with the situation. "John Russell is the most distinguished art critic there is, a Renaissance man of great integrity and character," he said. "Rosemond Bernier is recognized as one of the leading art lecturers in the world, and that was before she became Mrs. John Russell. The idea that one could influence the other is really absurd."

Family affairs. Kim Basinger, 39, and Alec Baldwin, 35, finally tied the knot... Francesca Ruth Fisher Eastwood was born to Clint Eastwood, 63, and his girlfriend, Frances Fisher, 41... Anthony Quinn, 78, has had a daughter with his former secretary, New York Post columnist Casey Adams said Quinn's wife of 29 years is so angry she will not speak to or see her husband.

Federico Fellini, the Italian film director, hospitalized since a stroke on Aug. 3, was transferred to a rehabilitation center to convalesce.

INTERNATIONAL CLASSIFIED Appears on Pages 4 & 7

WEATHER

THIS WEEKEND AT THE BEACH

Weather forecast section including maps of Europe, Asia, and the Americas, and a detailed table of weekend beach forecasts for Saturday and Sunday across various global locations.

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